

Plaintiffs first filed an action in State Court. (**Exhibit 1**).¹ Plaintiffs' lawsuit is a Strategic Lawsuit Against Public Participation ("SLAPP"). It would be subject to a special motion to strike under Vermont's anti-SLAPP statute, 12 V.S.A. 1041, if this case were pending in State Court. Plaintiffs, keenly aware that their lawsuit targets Mr. Flinn's free speech and conduct, realized their error, and on March 26, 2025, moved to dismiss the State Court action to avoid application of the anti-SLAPP statute. The same day, Plaintiffs filed a Complaint in Federal Court. On April 2, 2025, the Superior Court granted Plaintiffs' motion to dismiss. On April 28, 2025, Defendant moved to dismiss Plaintiffs' Complaint. (Doc. 17). On May 14, 2025, Plaintiffs filed an Amended Complaint, adding the District as a Defendant and asserting new factual allegations. (Doc. 18).²

2. ECFiber-ValleyNet Operating Agreement.

Formed in 2015, the District is a Communications Union District ("CUD"), a municipal corporation and political subdivision of the State of Vermont that is tasked with building and operating communications infrastructure, including broadband technology. 30 V.S.A. § 3051(a). The District is currently made up of 31 member towns in East Central Vermont. The District's governance is controlled by its legislative body, the Governing Board, in which each town exercises one vote through an appointed delegate. The District's internet service provider business and trade name is ECFiber. Since its formation, ECFiber has built over 1,950 miles of fiber-optic network and services approximately 10,000 locations for more than 9,750 customers.

In 2016, the District entered into a 10-year design, build, and operating agreement with ValleyNet, Inc., a non-profit Internet Service Provider ("ISP"). The operating agreement

¹ This Court may, on a Fed. R. Civ. P. 12(b)(6) motion to dismiss, take judicial notice of Plaintiffs' State Court Complaint. *Kramer v. Time Warner Inc.*, 937 F.2d 767, 773-774 (2d Cir. 1991).

² The Amended Complaint includes additional facts to support Plaintiffs' claims against Mr. Flinn, presumably in response to Mr. Flinn's motion to dismiss the original Complaint (Doc. 17).

empowered the District, through its Governing Board, to direct ValleyNet's operation of ECFiber.

As operator of the District's internet service provider business, ValleyNet was not the owner of any of the equipment, supplies, software, vendor relationships, or intellectual property used to design, build and operate ECFiber. Its employees staffed the business, which shielded their compensation from public record requirements and made the municipal revenue bond offerings more attractive to investors because the District carried no liability for pensions.

Historically, and consistent with the operating agreement, ValleyNet employees exclusively serviced ECFiber's network. In only one instance did ValleyNet service another internet service provider's network. Before doing so, however, ValleyNet sought express approval from the District's Governing Board. This approval was necessary due to the inextricable financial link between the District and ValleyNet: the District pays all expenses, including payroll, and maintains budgetary control over the business. All systems, equipment, vendor relationships and the like are in the name of the District, not ValleyNet.

3. GWI Assumption and Assignment of the Operating Agreement.

GWV Vermont, LLC is a Vermont Corporation and subsidiary of Biddeford Internet Corporation, a Maine-based certified B corporation known by the trade name "GWI". In approximately 2021, problems with construction delays, regulatory matters, and District dissatisfaction with the quality of reporting, and requests from other CUDs for service by ValleyNet led to ValleyNet and GWI entering into an agreement to have GWI assume ValleyNet's responsibilities. In May 2022, the Governing Board approved having GWI assume the operating agreement from ValleyNet. On December 31, 2022, ValleyNet, GWI and the District entered into an Assignment and Assumption Agreement, whereby GWI took over the operating agreement. As part of the assignment and assumption, ECFiber staff switched from

being ValleyNet employees to GWI Vermont, LLC employees. These staff continued to operate out of ECFiber's office in South Royalton, Vermont. As was always the case, the newly minted GWI Vermont employees continued to refer to themselves as ECFiber staff. By its terms, the operating agreement is set to expire on December 31, 2025. (Doc. 18, ¶ 19).

4. Plaintiffs' Allegations.

The gist of Plaintiffs' theory is simple: they claim that, starting in late 2024, Mr. Flinn hatched a scheme to create a pretextual basis for the District not to renew the operating agreement so that he could replace the services GWI provided with "his own venture...so as to pay himself a substantial amount of money...." (*Id.* 1, ¶ 20.) The scheme allegedly involved Mr. Flinn having a "GWI employee...furnish him [with] a surreptitiously recorded confidential meeting of GWI personnel in order to gain access to GWI's proprietary information and to falsely contend that GWI was in breach of the Operating Agreement." (*Id.*, ¶ 23). Plaintiffs aver that Mr. Flinn shared this information with the District and the District used the information as the basis for terminating its relationship with GWI (*Id.*, ¶¶ 30-33) and hired a company that he formed, Vermont ISP Operating Company ("VISPO"). (*Id.*, ¶¶ 35-37).

Plaintiffs' allegations have no basis in law or fact. There was no scheme. In the midst of negotiations over a new operating agreement, or alternatively, the extension of the existing agreement, a whistleblowing employee, who had never discussed with Mr. Flinn the District's relationship with GWI before the two spoke on February 11, 2025, contacted Jeff Brand, Secretary of the Governing Board for the District, due to her genuine concerns about GWI's plans. Mr. Brand recommended that she speak with Mr. Flinn, the District's chair. Mr. Flinn called her to learn more. During their call, the whistleblowing employee informed Mr. Flinn that GWI planned to have GWI employees work on other CUD projects. This plan had not been approved by the Governing Board. The whistleblowing employee also indicated that she had

recorded the meeting where this was discussed and forwarded a copy of that video to Mr. Flinn. The recording established GWI's intent to use ECFiber's staff to service other entities and to eliminate ECFiber staff in favor of a regional call center. Neither action is permitted under the operating agreement and requires prior approval by the District.

On February 12, 2025, attorneys for the District, not Mr. Flinn, sent a letter to GWI's CEO Kerem Durdag demanding that GWI cease and desist from implementing the plan as revealed on the recording. (*Id.*, ¶ 32; Exh. A). Instead of discussing the issue, GWI replied through counsel, and has attempted to intimidate and silence Mr. Flinn through filing a lawsuit (twice), and at least five attorney letters—one after every communication Mr. Flinn has made in his capacity as District Chair related to GWI—threatening Mr. Flinn with legal action.

Ultimately, the municipality itself, not Mr. Flinn, opted to terminate negotiations with GWI. This decision was made on April 8, 2025, following a duly noticed meeting of the District's Governing Board. (*Id.*, ¶¶ 43-45). The meeting was attended by delegates from the District's 31 member towns. These delegates unanimously voted not to renew the operating agreement with GWI. The reason for the termination was simple: GWI and the District could not reach an agreement on the financial terms for an operating agreement. They were millions of dollars apart. (*Id.*, ¶ 45). Additionally, and importantly, GWI's recording revealing their plan to terminate many GWI employees that service ECFiber's network and immediately move its customer service office, based in South Royalton, to a regional call center, made it all too apparent that GWI's for-profit mission was incompatible with the District's Vermont community service focus. With the decision in hand not to renew the operating agreement, the District unanimously voted to approve a Memorandum of Understanding ("MOU") between the District and VISPO (*Id.*, ¶ 43) that tasked VISPO with developing transition plans to become the next ECFiber operator.

Mr. Flinn has no financial stake in VISPO. No person does. It is a Vermont non-profit public benefit corporation organized to provide essential government functions under Section 115 of the IRS code. Moreover, Mr. Flinn has no intention of deriving income from VISPO. The simple fact is Mr. Flinn and two other ECFiber officers—Daniel Leavitt and Alessandro Iuppa—formed VISPO with the full support of District’s leadership for the sole purpose of setting the groundwork for returning ECFiber to its roots: having its internet service provider business operated by a local non-profit entity. Having accomplished that ministerial goal, VISPO proceeded to elect a seven-member board of directors that does not include Mr. Flinn and his involvement is now identical to his involvement with GWI: overseeing, administering and supervising the contractual relationship with the District in his capacity as Governing Board Chairman.

ARGUMENT

1. Fed. R. Civ. P. 12(b)(6) Standard.

A Court analyzing a motion to dismiss under Fed.R.Civ.P. 12(b)(6) for failure to state a claim, must take the complaint's “factual allegations to be true and draw[s] all reasonable inferences in the plaintiff's favor.” *Harris v. Mills*, 572 F.3d 66, 71 (2d Cir. 2009). A complaint must plead “enough facts to state a claim to relief that is plausible on its face.” *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007). “A claim has facial plausibility when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged.” *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009). “A pleading that offers labels and conclusions or a formulaic recitation of the elements of a cause of action will not do. Nor does a complaint suffice if it tenders naked assertion[s] devoid of further factual enhancement.” *Id.* (internal citations omitted). “A complaint is properly dismissed, where, as a matter of law, ‘the allegations in [it], however true, could not raise a claim of entitlement to

relief.” *Thompson v. Pallito*, 949 F. Supp. 2d 558, 570 (D. Vt. 2013) (quoting *Bell Atl. Corp.*, 550 U.S. at 558).

2. Plaintiffs’ Claims are Barred by Statutory and Common Law Official Immunity.

The East Central Vermont Telecommunications District is a municipal entity known as a “Communications Union District.” 30 V.S.A. § 3051. By statute, the affairs of a communications union districts are the responsibility of a governing board. 30 V.S.A. § 3057. (“The legislative power and authority of a district and the administration and the general supervision of all fiscal, prudential, and governmental affairs thereof shall be vested in a legislative body known as the governing board....”) The governing board’s officers include a chair, vice chair, and treasurer. 30 V.S.A. § 3067(a). The chair is charged “presid[ing] [over] all meetings of the board... make[ing] and sign[ing] all contracts on behalf of the district [and]....perform[ing] all duties incident to the position and office....” 30 V.S.A. § 3067(b).

Although the Federal Amended Complaint contains some fanciful allegations and creative theories about Mr. Flinn,³ Plaintiffs’ claims all arise out of actions taken by Mr. Flinn in his official capacity as chair of the legislative body he oversees and center upon a single event: the District’s decision not to renew the operating agreement and plans to replace GWI.⁴ That

³ The State Court allegations, though also untruthful, more accurately portray what really happened. A whistleblowing employee, on her own accord, provided a video to Mr. Flinn, who accepted it (Exh. 1, ¶ 62) and then disseminated the recording “for the *benefit of the governing board of ECFiber*.” (*Id.* ¶ 59).

⁴ Plaintiffs’ Negligent Misrepresentation and Promissory Estoppel claims are predicated upon a Limited Offering Memorandum issued by the District to municipal bond investors. Plaintiffs conveniently omit the Limited Offering Memorandum from their Amended Complaint. The document, however, attached as **Exhibit 2**, may be considered by this Court without converting the proceeding to one for summary judgment since it is incorporated into the Complaint by reference, and integral to Plaintiffs’ claims. *Intl. Audiotext Network, Inc. v. Am. Tel. and Tel. Co.*, 62 F.3d 69, 72 (2d Cir. 1995). As is evident from the offering memorandum, it was prepared by the District’s attorneys, on behalf of the District. (Exh. 2. at 1) (“The East Central Vermont Telecommunications District (the “District”) is issuing its Project Revenue Bonds, Series 2023A (the “Series 2023A Bonds”). Any role Mr. Flinn allegedly played in the creation of the document would fall squarely within his duties as chair of the Governing Board.

Plaintiffs' Amended Complaint arises from Mr. Flinn's acts as chair and the acts of the District is laid bare by the Amended Complaint allegations:

- (1) The District sent a letter to GWI on February 12, 2025 "alleging various way in which GWI purportedly has breached the parties' Operating Agreement." (Doc. 18, ¶ 32, Exh. A);
- (2) The District sent a letter to GWI on February 19, 2025 stating that it "was no longer interested in negotiating an extension of its relationship with GWI." (Doc. 18, ¶ 33, Exh. C);⁵
- (3) The District retained two consultants, allegedly selected by Mr. Flinn, that recommended retaining "a new management company whose primary purpose will be to provide strategic guidance, oversee network operations (regardless of the operator), develop in-house expertise, and ensure alignment with ECFiber's mission." (*Id.*, ¶ 34);
- (4) The consultants recommended that the management company "[n]egotiate with GWI employees: If feasible and desirable (and legally permissible), negotiate with selected GWI employees regarding potential transition [.]" (*Id.*, ¶ 35);
- (5) Mr. Flinn notified the District that he, along with two other District delegates, Dan Leavitt and Al Iuppa, created a public benefit non-profit to take over Plaintiff's operations. (*Id.*, ¶ 36); and
- (6) "Mr. Flinn advised ECFiber that "the next actionable task of the GB [Governing Board] will be to approve a contract between the District and" the new management company." (*Id.*, ¶ 37).

The above allegations and various exhibits to the Amended Complaint and appended to the motion to dismiss make clear that Mr. Flinn is being sued for carrying out his duties as chair of the Governing Board and for the District's decision not to renew the operating agreement, which was informed, in part, by information provided to Mr. Flinn about GWI's plans for altering its service. GWI's plans and strategies bear directly on the existing operating agreement and on the operating agreement that the two entities were negotiating that Mr. Flinn is duty

⁵ Per the letter, the District opted not to renew the operating agreement based on GWI's decision to replace existing local customer service and to eliminate its Vermont-specific department because both actions were "incompatible with the District's goals and fundamental purpose." (Exh. C).

bound to administer. Indeed, had Mr. Flinn ignored the information provided to him, he would be subjected to a charge of violating fiduciary duties owed to the District.

A. Mr. Flinn Cannot Be Sued under 24 V.S.A. § 901.

Plaintiffs seek to hold Mr. Flinn responsible for the District's decision to terminate the operating agreement and for alleged misrepresentations in a 2023 Limited Offering Memorandum prepared by the District for prospective municipal bond investors. As argued below, Mr. Flinn cannot be sued for these acts under Vermont law.

Plaintiffs aver that the District, in apparent blind reliance on Mr. Flinn, used information provided to him by a GWI employee as a basis to terminate its relationship with GWI. (Doc. 18, ¶¶ 33, 41). They allege that the District's interpretation of the recording and their business practices was wrong. (*Id.*, ¶ 41) ("ECFiber has taken its cue from its chairman F.X. Flinn in negotiating a renewed Operating Agreement with GWI, taking frivolous positions that are factually incorrect and obviously so.") In essence, what Plaintiffs allege is that Mr. Flinn was single-handedly responsible for the District's decision not to renew the operating agreement. However, on April 8, 2025, the District, through its delegates and upon a duly noticed Governing Board meeting voted unanimously not to renew the operating agreement. (**Exhibit 3**).⁶ It is illogical, and indeed insulting, to suggest that the dozens of delegates who voted to terminate the operating agreement did so thoughtlessly at Mr. Flinn's command. The meeting minutes also establish that the same delegates voted unanimously to approve a MOU between the District and VISPO. (**Exhibit 4**).⁷ While Plaintiffs' Amended Complaint suggests some nefarious conduct on

⁶ The Court may take judicial notice of the meeting minutes on a motion to dismiss because they are public documents that Plaintiffs had notice of, are referenced extensively in the Amended Complaint, and the District's decision, as set forth in the minutes, is the genesis for Plaintiffs' lawsuit. Thus, the minutes are integral to the Amended Complaint and may be considered on Defendant's motion to dismiss. *See Cortec Industries, Inc. v. Sum Holding L.P.*, 949 F.2d 42, 47 (2d Cir. 1991).

⁷ The Court may consider the MOU because it is repeatedly referenced in the Amended Complaint (Doc. 18, ¶¶ 43-48) and is thus integral to it. *See* FN4 and 6.

the part Mr. Flinn, this is nothing more than a smokescreen. Their real beef is that the District opted not to renew the operating agreement. In this respect, Plaintiffs seek to hold Mr. Flinn responsible for the District's decision and therefore have sued the wrong defendant.

Under 24 V.S.A. § 901(a),

[w]here an action is given to any appointed or elected municipal officer or town school district officer, the action shall be brought in the name of the town in which the officer serves and in the case of a town school district officer in the name of the town school district. If the action is given against such officers, it shall be brought against such town or town school district, as the case may be.

Id.

The Vermont Supreme Court has held that an action against a municipal officer is barred by 24 V.S.A. § 901(a). *Gallipo v. City of Rutland*, 173 Vt. 223, 238, 789 A.2d 942, 953 (2001) (affirming trial court's decision that action against a town officer must be brought against the town, not the municipal officer); *see also In re Town Hwy. No. 20*, 2012 VT 17, ¶ 55, n. 7, 191 Vt. 231, 45 A.3d 54, 75 (noting that "by statute, Rhodes [an aggrieved landowner] was required to sue the Town for the acts of its officers. 24 V.S.A. § 901(a) (requiring that any suit against town officers 'shall be brought against such town.'"). This Court has also acknowledged that 24 V.S.A. § 901(a) requires suit against the municipality. *Galipeau v. Stemp*, No. 5:14-CV-55, 2016 WL 3190659, at *15 (D. Vt. June 6, 2016). Indeed, a recent decision from the Vermont Supreme Court supports this interpretation. *Civetti v. Turner*, 2020 VT 23, ¶ 19, 212 Vt. 185, 233 A.3d 1056 ("In 1974, the Legislature amended the statute [24 V.S.A. § 901] to require that actions against any municipal officer be brought against the municipality....")

Because Mr. Flinn is being sued for his role in the District's decision not to renew its operating agreement with GWI, and for alleged misrepresentations made in a Limited Offering Memorandum issued by the District, Plaintiffs cannot maintain their action against him. To the

extent that they have a cause of action at all, it lies against the District. *Bates v. Town of Cavendish, Vermont*, 735 F. Supp. 3d 479, 501, n. 11 (D. Vt. 2024).

B. Mr. Flinn is Entitled to Statutory Immunity Under 24 V.S.A. § 901a.

In 2002, the Vermont legislature passed the municipal immunity statute, seeking “to ensure more comprehensive protection against tort liability for municipal employees, analogous to that enjoyed by state employees.” *Civetti*, 2020 VT 23, ¶ 28. The statute— 24 V.S.A. § 901a(b)—provides that “[w]hen the act ... of a municipal employee acting within the scope of employment is alleged to have caused ... injury to persons ... the exclusive right of action shall lie against the municipality that employed the employee...; and no such action may be maintained against the municipal employee....”

The statutory definition for a “municipal employee” is broad and includes “a volunteer whose services have been requested by the legislative body of a municipality; a volunteer whose services have been requested by a municipal officer.” 24 V.S.A. § 901a(a); *see also Civetti*, 2020 VT 23, ¶¶ 15 (noting that § 901a broadly defines the class of employees covered by the statute). Mr. Flinn is unquestionably a municipal employee under the statute. As chair of the Governing Board, he provides his services on a volunteer basis and provides those services at the request, and for the benefit of, a legislative body. (Exh. 1, ¶ 47); 30 V.S.A. §§ 3057, 3059-3060.

The conduct at issue, Mr. Flinn’s and the District’s action on information contained in a video that Mr. Flinn received concerning GWI’s plans for servicing the District’s network falls squarely within the scope of his authority and the services he provided the District. As chair, Mr. Flinn was duty bound to pass along relevant information to the Governing Board and to take GWI’s plans into consideration as part of contract negotiations with GWI. Indeed, it would have been a gross abdication and neglect of his duties had Mr. Flinn not shared this information with other board members.

Likewise, any misrepresentations—which there are none—contained in the Limited Offering Memorandum are not actionable because they arise from the District’s actions. Any role Mr. Flinn played in the creation of that document would fall squarely within his role as chair of the District entitling him to statutory immunity.

C. Common Law Official Immunity Bars Plaintiffs’ Claims.

Mr. Flinn is also entitled to common law official immunity. Vermont recognizes two types of official immunity:

Absolute immunity is generally afforded to judges ... legislators, and the highest executive officers, where the acts complained of are performed within their respective authorities. Only qualified immunity is extended to lower level officers, employees, and agents. The latter form of immunity is qualified in the sense that it requires several elements, including a showing that the government officials were 1) acting during the course of their employment and ... within the scope of their authority; 2) acting in good faith; and 3) performing discretionary, as opposed to ministerial acts.

O'Connor v. Donovan, 2012 VT 27, ¶ 6, 191 Vt. 412, 48 A.3d 584.

Absolute immunity applies to officials who occupy a significantly high position within government. *See Abdel-Fakhara v. Vermont*, No. 5:21-CV-198, 2022 WL 4079491, at *14 (D. Vt. Sept. 6, 2022), *aff'd*, No. 22-2543, 2023 WL 3486236 (2d Cir. May 17, 2023). The Vermont Supreme Court has extended this immunity to state attorneys. *O'Connor*, 2012 VT. at ¶ 21. It also applies to government agency commissioners and department heads. *Curran v. Marcille*, 152 Vt. 247, 565 A.2d 1362 (1989).

Once the Court determines that an official qualifies for absolute immunity, the only consideration left for the Court is whether “the acts complained of are performed within their respective authorities.” *O'Connor*, 2012 VT at ¶ 6. This is because “[a]n official's malicious motive or intent is “irrelevant, since a good-faith test is imposed only when qualified immunity is

available.” *Id.* ¶ 6, n. 2 (quoting *Levinsky v. Diamond*, 151 Vt. 178, 193–94, 559 A.2d 1073 (1989)); *see also Abdel-Fakhara*, 5:21-CV-198, 2022 WL 4079491, at *16 (Absolute immunity “applies to actions motivated by malice.”). Because the motives and intent of an official are irrelevant, the doctrine provides not only immunity from liability, but immunity from suit. *O’Connor*, 2012 VT at ¶ 6, n. 2 (emphasis added).

Mr. Flinn is entitled to absolute immunity against Plaintiffs’ claims. As chair of a legislative body (the Governing Board), he is charged with overseeing, administering and supervising a vast and sprawling communications network that services 31 Vermont Towns. His actions affect thousands of people, people that have come to depend on robust phone and internet connection for work, medical care, banking, and access to information that affects all aspects of their lives. *See Scheuer v. Rhodes*, 416 U.S. 232, 246–47, 94 S.Ct. 1683, 40 L.Ed.2d 90 (1974) (recognizing that “higher officers of the executive branch” may require greater protection “since the range of decisions and choices—whether the formulation of policy, of legislation, of budgets, or of day-to-day decisions—is virtually infinite” and therefore the range of protected discretion “must be comparably broad”). The buck stops with him. There is no higher official. No one has a broader range of responsibilities and duties than him. *Barr*, 360 U.S. at 573–74. Given his position, he is cloaked with absolute immunity.

Even if this Court determines that absolute immunity does not apply, Mr. Flinn is unquestionably entitled to qualified immunity. Qualified immunity “protects ‘[l]ower-level officers, employees and agents’ who act in good faith within the scope of their authority and who ‘perform[] discretionary, as opposed to ministerial acts.’” *Civetti*, 2020 VT 23, ¶ 34 (quoting *Levinsky v. Diamond*, 151 Vt. 178, 183–85, 559 A.2d 1073 (1989)). The doctrine’s purpose is “to protect officials from exposure to personal tort liability that could (1) hamper their ability to effectively discharge their duties and (2) subject their discretionary determinations to review by a

judicial system ill-suited to assess the full scope of factors involved in such determinations.” *Baptie v. Bruno*, 88 A.3d 1212, 1216 (Vt. 2013). The defense applies to municipal officers and employees. *Civetti*, 2020 VT 23, ¶ 34. It shields police officers from liability. *Baptie*, 2013 VT 117, ¶ 13, 88 A.3d 1212.

Here, Mr. Flinn is undeniably entitled to qualified immunity. He is a municipal director and officer, who, as argued above, is being sued for carrying out his statutory duties. These duties, the sharing of information with his constituents, and use of that information in contract negotiations (and alleged role in the creation of the Limited Offering Memorandum) are clearly discretionary in nature. In sum, because Mr. Flinn is entitled to official immunity, Plaintiffs’ Amended Complaint fails to state a claim upon which relief can be granted and should be dismissed.

3. Plaintiffs’ Amended Complaint Fails to Allege a Trade Secrets Violation.

Mr. Flinn moves to dismiss Plaintiffs’ statutory trade secrets claim because the Amended Complaint does not identify with specificity the trade secrets that were allegedly misappropriated. To establish a *prima facie* trade secrets violation, Plaintiffs must allege specific facts that plausibly show that Mr. Flinn obtained information that meets the statutory definition of a trade secret. *Synventive Molding Sols., Inc. v. Injection Molding Sys., Inc.*, No. 2:08-CV-136, 2009 WL 10678880, at *2 (D. Vt. Dec. 7, 2009) (granting Defendant’s motion to dismiss for failure to state a trade secrets violation claim). 9 V.S.A. § 4601(3) defines a “trade secret” as “information, including a formula, pattern, compilation, program, device, method, technique, or process, that: (A) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other person who can obtain economic value from its disclosure or use.”

“Alleging the existence of general categories of confidential information, without providing any details to generally define the trade secrets at issue, does not give rise to a plausible allegation of a trade secret’s existence.” *Elsevier Inc. v. Dr. Evid., LLC*, No. 17-CV-5540 (KBF), 2018 WL 557906, at *6 (S.D.N.Y. Jan. 23, 2018); *see also I Candy by JW LLC v. Spin Master Ltd.*, No. 17-CV-3131(SJF)(SIL), 2018 WL 11697440, at *18 (E.D.N.Y. June 19, 2018) (“[T]o survive a motion to dismiss, a party alleging that it owns a trade secret must put forth specific allegations as to the information owned and its value.”) Boiler plate conclusory allegations that a defendant misappropriated “pricing,” “marketing strategies,” “business plans,” “business model,” “manufacturing processes,” and “distribution network” are not sufficient to give rise to a plausible allegation of a trade secret’s existence. *Id.* The rationale for requiring more than a general category of information is simple, “otherwise any claimant could survive a motion to dismiss a trade secrets claim with conclusory statements that simply restate the elements of a trade secret.” *Elsevier*, 2018 WL 557906, at * 6.

Plaintiffs allege that Mr. Flinn violated Vermont’s trade secrets statute by disseminating a recording that contained GWI’s “go-to-market strategy, service strategy, GWI’s sales opportunities and customer opportunities, service pipeline and future plans for current services.” (Doc 18, ¶ 63). These boilerplate allegations are insufficient to state a claim upon which relief may be granted. To support their claim, Plaintiffs must allege more than the general categories of information. *Elsevier*, 2018 WL 557906, at * 6. For example, Plaintiffs could have identified the type of business processes, products and economic strategies that were allegedly misappropriated. The Amended Complaint, however, contains no such details and only includes vague allegations that simply do not give rise to a plausible trade secret claim.

4. Plaintiffs’ Amended Complaint Fails to Allege Tortious Interference Claims.

Plaintiffs allege two tortious interference claims – (1) tortious interference with contract and (2) tortious interference with prospective business relationship.⁸ Both claims fail as a matter of law because as the chairman of the District, Mr. Flinn is the District, not a third party to the contract negotiations.

A. Plaintiffs’ Tortious Interference with Contract Claim Fails.

Plaintiffs’ tortious interference with contract claim fails because as chair of one of the contracting parties (the District), Mr. Flinn cannot be liable for interfering with GWI’s contract and Plaintiffs fail to allege that Mr. Flinn’s actions caused the District to breach its contract with GWI.

In *Williams v. Chittenden Tr. Co.*, 145 Vt. 76, 80, 484 A.2d 911 (1984), the Vermont Supreme Court described the elements for a tortious inference with contract claim:

One who intentionally and improperly interferes with the performance of a contract (except a contract to marry) *between another* and a third person *by inducing or otherwise causing the third person not to perform the contract*, is subject to liability to the other for the pecuniary loss resulting to the other from the failure of the third person to perform the contract.

Id. (emphasis added).

At its very core, the tort requires that the interference come from a third party to the contract. *Stone v. Town of Irasburg*, 2014 VT 43, ¶ 66, 98 A.3d 769 (“While the elements are described by courts in various ways, under any definition of this tort, the interference with the contract...must come from a third party.”); *see also Applied Equip. Corp. v. Litton Saudi Arabia Ltd.*, 7 Cal.4th 503, 28 Cal.Rptr.2d 475, 869 P.2d 454, 459 (1994) (delineating elements of intentional interference claim and emphasizing that tort requires interference from third party,

⁸ In Vermont, this tort is referred to as tortious interference with prospective *contractual relations*.

who has no interest in *383 contract); *Diederich v. Yarnevich*, 40 Kan.App.2d 801, 196 P.3d 411, 418 (2008) (affirming dismissal of tortious interference claim on grounds that claim requires interference from third party unrelated to employment contract); *Farrow v. St. Francis Med. Ctr.*, 407 S.W.3d 579, 602 (Mo.2013) (setting forth elements of tortious interference with contract or business expectancy and explaining that action will lie against third party only); *Rutherford v. Presbyterian–Univ. Hosp.*, 417 Pa.Super. 316, 612 A.2d 500, 507–08 (1992) (explaining that cause of action “requires three separate parties; parties to a contract or employment relationship cannot assert this cause of action against each other”).

In *Stone*, the Vermont Supreme Court held that Plaintiff, Treasurer of the Town of Irasburg, failed to allege a prima facie tortious interference claim against the Town based on the selectboard acting unlawfully and requiring her to raise a bond due to her alleged mistakes. *Stone*, 2014 VT 43, ¶ 1. In reaching this decision, the Court found that “[b]ecause the selectboard members are agents of the Town and not third parties, plaintiff has failed to allege interference by a third party, and has not pled a prima facie case for tortious interference.” *Id.* at ¶ 67. The same logic applies here. As chair of the Governing Board of the District, statutorily charged with administering the District’s contract with GWI, Plaintiffs cannot show tortious interference by a third party.

Additionally, Plaintiffs do not allege that Mr. Flinn’s actions were done with the purpose of causing the District to breach its existing contract with GWI. “To be liable for interference with a contractual relationship, the defendant must have intentionally and improperly induced or caused the owner not to perform under its contract with the plaintiff.” *Williams*, 145 Vt at 82 (emphasis added). Plaintiffs concede, as they must, that no breach has occurred. (Doc. 18, ¶ 50 (“The upshot of this is that ECFiber will have to pay its current operator GWI through the end of the year....”)); Exh. D (“We assure you that GWI will comply fully with its obligations under the

Operating Agreement. This will include leaving any property that belongs to ECFiber, and departing its offices as promptly as December 31, 2025. Until that date, GWI will continue to perform its duties and responsibilities as operator....”) Because Plaintiffs fail to allege that the District breached its existing agreement with GWI, Plaintiffs’ tortious interference with contract claim fails as a matter of law.

Finally, Plaintiffs do not allege—as they have no factual basis to—that Mr. Flinn’s actions caused them damage or pecuniary loss. This is because the District has not breached its existing operating agreement with GWI and thus GWI has no breach of contract damages.

B. Plaintiffs’ Tortious Interference with Prospective Business Relationship Fails.

A claim for tortious interference with prospective contractual relations “protects the same interest in stable economic relationships as does the tort of interference with contract, but applies to business relationships not formally reduced to contract.” *Gifford v. Sun Data, Inc.*, 165 Vt. 611, 613, 686 A.2d 472 (1996). “To prevail on a claim of tortious interference with prospective contractual relations, a plaintiff must prove that the defendant interfered with business relations existing between the plaintiff and a third party, either with the sole purpose of harming the plaintiff or by means that are dishonest, unfair, or improper.” *Id.* Plaintiffs’ tortious interference with prospective contractual relations fails for the same reasons as Plaintiffs’ tortious interference with contract claim: lack of a third party. Additionally, not all competitive business practices give rise to a claim, and a defendant is not liable merely for advancing its own interest unless defendants’ methods are criminal or fraudulent. *Id.* Plaintiffs’ Amended Complaint neither alleges that Mr. Flinn’s acceptance and dissemination of the GWI employee video was criminal, nor that Mr. Flinn obtained the information through fraud.

Finally, it is worth emphasizing that Plaintiffs’ tortious interference with prospective contractual relations claim is predicated upon the District’s decision not to renew its operating

agreement with GWI—an operating agreement that by its own terms is due to expire. Thus. Plaintiffs’ expectations about the profits they expected to receive are far from realistic and do not support a claim for damages caused by Mr. Flinn. *Id.* at 614, FN2 (noting that the elements of the tort include “damage to the party whose relationship or expectancy was disrupted; and [...] proof that the interference caused the harm sustained.”) In sum, Plaintiffs’ tortious interference with prospective contractual relations claim fails as a matter of law and should be dismissed.

5. Plaintiffs’ Amended Complaint Fails to State A Claim for Unfair Competition.

Plaintiffs assert a common law claim for unfair competition based on Mr. Flinn’s alleged misappropriation of information contained on an internal recording and use of that information “to unfairly disadvantage GWI as part of an ongoing negotiation to renew the Operating Agreement and to bolster F.X. Flinn’s scheme to establish a management company....” (Doc. 18, ¶¶ 70-71). The claim is predicated upon Mr. Flinn’s dissemination of a video, not his use of Plaintiffs’ product or property in competition. (Doc. 18, ¶ 72).

To establish a common law claim for unfair competition based on misappropriation, Plaintiffs must allege that Defendant used Plaintiffs’ product or business assets in competition and that use resulted in an unfair advantage. *See Maguire v. Gorruso*, 174 Vt. 1, 7, 800 A.2d 1085 (2002) (“[t]he gravamen of unfair competition through misappropriation—in contrast—is the unfair competitive use to which defendants put the property); *see also United States Sporting Prods., Inc. v. Johnny Stewart Game Calls, Inc.*, 865 S.W.2d 214, 218 (Tex.App.1993) (elements of misappropriation include defendant's unfair use of plaintiff's product in competition, thereby gaining unfair advantage); *Mercury Record Prods., Inc. v. Econ. Consultants, Inc.*, 64 Wis.2d 163, 218 N.W.2d 705, 710 (1974) (“essence” of unfair competition-misappropriation claim is “defendant's use of the plaintiff's product or a copy of it in competition with the plaintiff and gaining an advantage in that competition”).

Plaintiffs' Amended Complaint fails to state a claim upon which relief can be granted because Plaintiffs do not allege that Mr. Flinn has used Plaintiffs' product or property in competition. That is, GWI continues to service the District, will do so until the end of the year and Mr. Flinn does not own or direct a company that is in direct competition with GWI yet. (Doc. 18, ¶¶ 35-38, 50.) Thus, Plaintiffs' unfair competition claim is not ripe; allegations of some future risk that Mr. Flinn will use misappropriated information in competition are not enough to give rise to a plausible claim for unfair competition.

6. Plaintiffs' Amended Complaint Fails to State A Claim for Negligent Misrepresentation.

Plaintiffs' negligent misrepresentation claim is predicated upon representations made in a Limited Offering Memorandum accompanying the District's sale to the public of \$7,530,000 in municipal revenue bonds. (*Id.* ¶ 17-18, 91). Specifically, Plaintiffs aver that in 2023, ECFiber, and Mr. Flinn made representations in a Limited Offering Memorandum concerning the District's future plans to construct "the Network and operate and manage the Network with GWI Vermont....". (*Id.*, ¶¶ 17-18; 92-95). The gist of Plaintiffs' claim is that the 2023 offering memorandum, created for the explicit purpose of soliciting revenue bond investors, obligates the District to have GWI service its network in perpetuity. Plaintiffs' negligent misrepresentation claim fails to state a claim upon which relief can be granted because the Limited Offering Memorandum was not issued by Mr. Flinn, the information conveyed in the memorandum was not intended for the Plaintiffs, and the alleged misrepresentations were based on statements concerning future events.

The Vermont Supreme Court has adopted the Restatement (Second) of Torts § 552(1) definition of negligent misrepresentation, which states:

One who, in the course of his business, profession or employment, or in any other transaction in which he has a pecuniary interest, supplies false information for the

guidance of others in their business transactions, is subject to liability for pecuniary loss caused to them by their justifiable reliance upon the information, if he fails to exercise reasonable care or competence in obtaining or communicating the information.

Limoge v. People's Trust Co., 168 Vt. 265, 268-69 (1998).

The Limited Offering Memorandum was prepared by the District's attorneys, on behalf of the District, not Mr. Flinn. (Doc 18, ¶¶ 17-18; Exh. 2. at 1)⁹ ("The East Central Vermont Telecommunications District (the "District") is issuing its Project Revenue Bonds, Series 2023A (the "Series 2023A Bonds")). Because the document was created by the District, and its attorneys, Plaintiffs cannot as a matter of law establish that Mr. Flinn supplied or communicated a false statement.

Additionally, the Limited Offering Memorandum was issued to a limited class of persons: "Qualified Institutional Buyers" and "Accredited Investors". (Exh. 2 at 1) ("The series 2023A bonds will be offered only to "Qualified Institutional Buyers"...and "Accredited Investors"...to whom this limited offering memorandum has been furnished."); *see also* (*Id.* at 9) ("This Limited Offering Memorandum is being furnished solely for consideration by qualified institutional buyers and accredited investors...."). The Limited Offering Memorandum was never intended for GWI. Because Plaintiffs are neither qualified institutional buyers nor accredited investors (nor do they claim to be), neither the District (nor Mr. Flinn) owed them a duty of care with respect to alleged representations made in the document. *Glassford v. Dufresne & Associates, P.C.*, 2015 VT 77, ¶¶ 12 -16.

In *Glassford*, the Vermont Supreme Court made clear that liability under Section 552, Subsection (1) is limited:

⁹ The page numbers referenced in this motion are based on the bates numbers that appear in the lower right-hand corner of the exhibit.

(2) Except as stated in Subsection (3), the liability stated in Subsection (1) is limited to loss suffered

(a) by the person or one of a limited group of persons for whose benefit and guidance he intends to supply the information or knows that the recipient intends to supply it; and

(b) through reliance upon it in a transaction that he intends the information to influence or knows that the recipient so intends or in a substantially similar transaction.

(3) The liability of one who is under a public duty to give the information extends to loss suffered by any of the class of persons for whose benefit the duty is created, in any of the transactions in which it is intended to protect them.

Id. at ¶ 13.

Liability under subsection 2 is limited to persons whose use the document was intended.

Id. at ¶ 14-15; Restatement (Second) of Torts § 552 (1977), cmt. h (“The rule stated in this Section subjects the negligent supplier of misinformation to liability only to those persons for whose benefit and guidance it is supplied.”) As is evident from the Limited Offering Memorandum, the document was intended solely for investors. Therefore, there is no cause of action under subsection 2. Nor is there liability under subsection 3. As made clear by the decision in *Dufresne*, liability under subsection 3 is limited “to any of the class of persons for whose benefit the duty is created.” *Id.* at ¶ 16. Again, to the extent the District (or Mr. Flinn for that matter) had any duty with respect to the District’s issuance of the Limited Offering Memorandum, that duty extended only so far as the bond holders.

Finally, the alleged actionable statements, all taken out of context and cherry picked from the Limited Offering Memorandum, do not plausibly support a negligent misrepresentation claim because they are based on future events that might never occur. *See Hydro Inv’rs, Inc. v. Trafalgar Power Inc.*, 227 F.3d 8, 20–21 (2d Cir. 2000) (To be actionable a negligent misrepresentation claim “must be factual in nature and not promissory or relating to future events that might never come to fruition.”); *Bango v. Naughton*, 184 A.D.2d 961, 963, 584 N.Y.S.2d 942

(N.Y.App.Div.1992) (negligent misrepresentation claim was properly dismissed for failure to state a claim because the alleged representations were “mere expressions of future expectation”) (internal quotation and citation omitted). The District’s alleged actionable statements were made in 2023, two years before the District terminated its relationship with GWI (Doc. 18, ¶¶ 17-18; 33) and relate to the District’s plans at the time to build out the network in the future with GWI. (*Id.*, ¶ 95). These statements include the District’s (1) historical use of an “experienced internet service provider to run the ECFiber business” (Doc. 18, ¶ 21);¹⁰ (2) plans (in 2023) to “undertake the current and future phases of the construction of the Network, and operate and manage the Network with GWI Vermont” (*Id.*, ¶ 38);¹¹ and (3) financial projections “based on the expected average of all purchase services.” (*Id.*, ¶ 39).¹² But this Court need not engage in any fact finding to dismiss. As outlined above, Plaintiffs’ negligent misrepresentation claim fails because the District’s statements were intended for investors only, were not made by Mr. Flinn, and were based on future construction plans.

7. Plaintiffs’ Amended Complaint Fails to State A Claim for Promissory Estoppel.

Plaintiffs’ promissory estoppel claim should be dismissed because it suffers from the same fatal defect as the negligent misrepresentation claim: it is based on statements made by the District, not Mr. Flinn. To establish a *prima facie* claim for promissory estoppel, Plaintiff must

¹⁰ This statement is taken from the background section provided to prospective investors about the historical development of the district and reads, “Both ECF [*note: interlocal contract based ECF Holdings LLC was the predecessor to the CUD 2008-2015*] and the District have always contracted with an experienced internet service provider to run the ECFiber business subject to broad policies established by the board through contractual mechanisms designed to prevent interference with proper business practices.” (Exh. 2, at 17).

¹¹ This statement provides prospective investors with an overview of the Network. The full sentence reads, “The District will undertake the current and future phases of the construction of the Network, and operate and manage the Network with GWI Vermont under the Operating Agreement and Assignment from ValleyNet to GWI Vermont, described below and attached as APPENDIX E.” (Exh. 2, at 39). Nothing about this statement is false, the District currently operates and manages the Network with GWI and will continue to do so until December 31, 2025. Plaintiffs do not allege otherwise.

¹² This statement is taken out of the section concerning the risk factors posed by investing in the municipal bonds being offered. It puts prospective investors on notice that District revenue streams may fluctuate. (Exh. 2, at 46).

allege a promise made by the defendant, that the defendant should reasonably expect to induce action or forbearance by the promisee or third party, and which does induce such action or forbearance. *Nelson v. Town of Johnsbury Selectboard*, 2015 VT 5, ¶ 55, 115 A.3d 423 (emphasis added). “The promise must be more than a mere expression of intention, hope, desire, or opinion, which shows no real commitment. *Id.* (internal citation omitted). In the absence of an actual promise, a claim for promissory estoppel fails as a matter of law. *Id.* at ¶ 57.

Plaintiffs allege that in the Limited Offering Memorandum, Mr. Flinn represented that “ECFiber ‘will undertake the current and future phrases [sic] of the construction of the Network, and operate and manage the Network with GWI Vermont under the Operating Agreement and Assignment from ValleyNet to GWI Vermont.” (Doc. 18, ¶ 102). Plaintiffs contend that this representation constitutes a promise to GWI that Mr. Flinn should have reasonably expected to induce action or forbearance. (*Id.* at ¶ 103).

Plaintiffs’ Amended Complaint fails to allege a claim for promissory estoppel because the statements were not made by Mr. Flinn. (Exh. 2 at 1). Moreover, the District’s statement in the offering memorandum does not constitute a promise. Far from it, the cherry-picked statement, wholly taken out of context, was made in the opening sentence of the Limited Offering Memorandum providing investors with a summary of the Network including among other things, District policies, finances, future construction plans, customer connections, technology, physical security, billing practice, etc. (Exh. 2, at 39).

In sum, because Plaintiffs fail to plausibly allege a promise made by Mr. Flinn, Plaintiffs’ promissory estoppel claim fails as a matter of law.

8. Plaintiffs’ Amended Complaint Fail to State A Claim for Unjust Enrichment.

Plaintiffs’ Amended Complaint fails to plausibly allege that Plaintiffs conferred a benefit on Mr. Flinn. To establish a claim for unjust enrichment, Plaintiffs must allege that “(1) a benefit

was conferred on defendant; (2) defendant accepted the benefit; and (3) defendant retained the benefit under such circumstances that it would be inequitable for defendant not to compensate plaintiff for its value.” *Reed v. Zurn*, 2010 VT 14, ¶ 11, 992 A.2d 1061 (quoting *Center v. Mad River Corp.*, 151 Vt. 408, 412, 561 A.2d 90, 93 (1989)). Plaintiffs’ claim is predicated upon GWI conferring “numerous benefits to F.X. Flinn and ECFiber pursuant to the Operating Agreement.” (Doc. 18, ¶ 111)¹³ By its plain terms, however, only the District stood to benefit from the Operating Agreement. (Exh. F, Section 1 (“The parties acknowledge that the benefits of this Agreement shall devolve upon the District....”) Put simply, the Operating Agreement does not confer any benefits upon Mr. Flinn. Because the Operating Agreement confers no benefits upon Mr. Flinn, Plaintiffs’ Amended Complaint fails to plausibly allege a claim for unjust enrichment against Mr. Flinn. Accordingly, the claim must be dismissed.

CONCLUSION

In conclusion, Plaintiffs’ Amended Complaint fails to state a claim upon which relief may be granted. Accordingly, Defendant’s Motion to Dismiss should be granted and Plaintiffs’ Amended Complaint dismissed with prejudice.

Dated at Burlington, Vermont, this 28th day of May 2025.

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¹³ It is worth emphasizing that Plaintiffs’ original Complaint did not allege that GWI conferred benefits upon Mr. Flinn. (Doc. 1, ¶ 74).

UNITED STATES DISTRICT COURT
FOR THE
DISTRICT OF VERMONT

BIDDEFORD INTERNET CORPORATION)	Civil Action No. 2:25-cv-00354
D/B/A GREAT WORKS INTERNET)	
and GWI VERMONT, LLC,)	
Plaintiffs,)	
)	
v.)	
)	
F.X. FLINN and EAST CENTRAL VERMONT)	
TELECOMMUNICATIONS DISTRICT,)	
Defendants.)	

INDEX OF EXHIBITS
TO DEFENDANT F.X. FLINN'S MOTION TO DISMISS

EXHIBIT #1	-	<i>Complaint</i> in State Court action
EXHIBIT #2	-	Limited Offering Memorandum
EXHIBIT #3	-	Governing Board Meeting Minutes, 4/8/25
EXHIBIT #4	-	Memorandum of Understanding, 4/10/25

EXHIBIT #1

to Def't's Mtn to Dismiss

STATE OF VERMONT

SUPERIOR COURT
WINDSOR UNIT

CIVIL DIVISION
DOCKET NO. _____

BIDDEFORD INTERNET CORPORATION)
D/B/A GREAT WORKS INTERNET,)
and GWI VERMONT, LLC,)

Plaintiffs,)

F.X. FLINN, *Individually and in His Official*)
Capacity as Chair of the Governing Board)
of East Central Vermont Telecommunications)
District,)

Defendant.)

JURY TRIAL
REQUESTED

COMPLAINT

Plaintiffs Biddeford Internet Corporation d/b/a Great Works Internet and GWI Vermont, LLC, by and through their undersigned counsel, complain against Defendant F.X. Flinn, individually and in his official capacity as Chair of the governing board of East Central Vermont Telecommunications District, for trade secret misappropriation, unfair competition, tortious interference, and civil conspiracy, and hereby state as follows:

The Parties

1. Founded in 1994, Biddeford Internet Corporation d/b/a Great Works Internet is a corporation organized under the laws of Maine, with a principal place of business located at 40 Main Street, Suite 13-127, Biddeford, ME 04005.

2. Biddeford Internet Corporation d/b/a Great Works Internet is the nation's first certified B corporation internet service provider (ISP).

3. GWI Vermont, LLC is a Vermont limited liability company and subsidiary of Biddeford Internet Corporation d/b/a Great Works Internet (collectively “GWI”).

4. F.X. Flinn is a natural person who is domiciled in Windsor County, Vermont.

5. F.X. Flinn serves as Chair of the governing board of East Central Vermont Telecommunications District (“ECFiber” or “the District”) and as a representative to ECFiber from the Town of Hartford.

Jurisdiction and Venue

6. This Court has subject matter jurisdiction pursuant to 4 V.S.A. § 31.

7. This Court has personal jurisdiction over F.X. Flinn because he is a Vermont domiciliary and because this action arises out of his tortious conduct in Windsor County, Vermont, individually and while serving as Chair of the governing board of a Vermont municipal corporation.

8. Venue is proper pursuant to 12 V.S.A. § 402(a) because F.X. Flinn resides in Windsor County and for the reasons stated in paragraph 7, *supra*.

Background

9. In 2008, twenty-four municipalities in Vermont entered into an interlocal contract to construct and operate a fiber-to-the-premises (“FTTP”) network to serve residents and businesses located within their municipalities.

10. The municipalities created East Central Vermont Community Fiber, and a wholly-owned subsidiary, ECF Holding, LLC, which began providing telecommunication services in 2011.

11. In or about 2014, ECF Holding, LLC's governing board drafted legislation that would enable a change in form, to a special-purpose municipality akin to a water district, called a "Communications Union District" (CUD), which became law in 2015.

12. A CUD is empowered to operate or contract for construction, ownership, management, and operation of a communications plant and to provide communications services to members. A CUD will include all land and residents within the member municipalities and any other subsequently admitted. A CUD is a municipal entity with a governing board on which each member town exercises a single vote through one or more appointed representatives.

13. In March 2015, several member towns in Windsor County formed the District (a/k/a "ECFiber") in anticipation of the CUD legislation, which became formalized as of June 16, 2015 and recognized by the Vermont Secretary of State. *See generally* <https://ecvtd.gov/member-towns/> (last visited 2.24.2025).

14. ECFiber is a CUD and municipal corporation created under the laws of Vermont, with a principal place of business located at 415 Waterman Road, South Royalton, VT 05068.

15. Effective January 1, 2016, ECFiber succeeded to all of the assets and liabilities of East Central Vermont Community Fiber and/or ECF Holdings, LLC pursuant to an Assignment and Assumption Agreement and a Bill of Sale Agreement.

16. In April 2016, ECFiber issued its first municipal revenue bonds, and has since issued additional revenue bond offerings on the public market.

17. ECFiber is situated in the east central part of Vermont between the Connecticut River and the Green Mountains.

18. Today, the 32 member municipalities of ECFiber are Barnard, Bethel, Bradford, Braintree, Brookfield, Chelsea, Corinth, Fairlee, Granville, Hancock, Hartford, Newbury,

Norwich, Pittsfield, Pomfret, Randolph, Reading, Rochester, Royalton, Sharon, Stockbridge, Strafford, Thetford, Topsham, Tunbridge, Vershire, Washington, West Fairlee, West Windsor, Windsor, and Woodstock.

19. ECFiber is governed by a governing board consisting of at least one representative from each member municipality.

20. ECFiber has no employees.

21. ECFiber offers Internet connectivity services and Voice Over Internet Protocol (VOIP)-based phone service to subscribers within the District.

22. At all relevant times, ECFiber has always contracted with an ISP to run the ECFiber business.

23. From approximately 2008 until approximately December 28, 2022, ECFiber was exclusively operated by ValleyNet, Inc. (“ValleyNet”), a nonprofit ISP.

24. On approximately January 1, 2016, ECFiber and ValleyNet entered into a 10-year Operating Agreement.

25. As provided in the Operating Agreement, ECFiber “engage[d] ValleyNet to design, construct, and operate one or more communications plants (the ‘Project’) for the delivery of District’s broadband communications services to commercial residential, governmental, and educational subscribers with the State of Vermont” (brackets added, parentheses in original), subject to terms and conditions.

26. Per Sections 20(a), 20(b), and 20(c) of the Operating Agreement, ECFiber agreed to pay “all costs of constructing, operating and managing the Project,” ValleyNet’s “actual and direct expenses incurred in furnishing the broadband communications services and support

contemplated herein,” and compensation to ValleyNet “in an amount equal to \$10.00 per service subscriber per year.”

27. Per Section 20(e) of the Operating Agreement:

ValleyNet shall be solely responsible for hiring, compensating, supervising, disciplining and discharging its employees, and shall be responsible for the payment of all governmental taxes, charges and assessments relating to its employees. The District shall not dictate or establish workplace standards and practices, scheduling, staffing or employee licensing or qualification. No ValleyNet employee shall report to or be under the supervision of any District official at any time, nor shall any District employee evaluate the performance or conduct of any ValleyNet person engaged by ValleyNet.

28. In 2020, GWI entered into a master services agreement with ValleyNet to provide managed telephone services to ECFiber customers.

29. In the ensuing period, ValleyNet began to experience legal and financial turmoil.

30. In 2021, a group of farmers in Tunbridge filed a civil lawsuit against ECFiber, ValleyNet, and others, alleging that their cows were sickened – including several that died – after ingesting stainless steel wire found in their feed. *See Emma Cotton*, “Dairy farmers devastated after cows ingested wire leftover from telecom project,” VT Digger, July 11, 2021, <https://vtdigger.org/2021/07/11/dairy-farmers-devastated-after-cows-ingested-wire-leftover-from-telecom-project/> (last visited 2.24.2025).

31. Then, in 2022, an indictment returned by a federal grand jury in the District of Vermont alleged that a ValleyNet contractor had embezzled approximately \$560,000 out of ValleyNet’s accounts into their personal bank account, resulting in that individual’s eventual apprehension and conviction. *See* <https://www.justice.gov/usao-vt/pr/northfield-man-sentenced-27-months-embezzling-558625-valleynet> (last visited 2.24.2025).

32. After entering into a series of scope-of-work (SOWs) with GWI throughout 2021 and the first half of 2022, in or about June 2022, ValleyNet announced a restructuring of its management, design, build, and operating services in an expanded partnership with GWI.

33. ECFiber, ValleyNet, and GWI entered into an Assignment and Assumption Agreement dated as of December 31, 2022, in which GWI assumed from ValleyNet the Operating Agreement and all of ValleyNet's rights and obligations thereunder.

34. ECFiber agreed that the assignment of the Operating Agreement to GWI was in the best interest of ECFiber, and consented to the assignment.

35. Since January 1, 2023, and currently, ECFiber has been operated exclusively by GWI. GWI is using its tenured knowledge to improve all aspects of ECFiber's business operations.

36. GWI employees are responsible for:

- Managing the design and construction process, including selecting, hiring and overseeing contractors, ensuring performance and certifying completion;
- Maintaining the network, including the fiber-optic cable and electronic equipment in support thereof;
- Operating the network, including observance of best practices to ensure reliability and safety of end users;
- Providing retail and wholesale services utilizing the network, subject to policy guidelines established by the District – including selection and specification of services provided and pricing for service;
- Conducting all marketing, customer service, help desk and customer care functions;
- Conducting all customer billing and collection activities, including selection and oversight of any outsourced billing functions; and
- Providing all required reporting to the District, governmental authorities and the District Treasurer.

37. All GWI employees have completed training and acknowledged company policies designed to protect GWI confidential information, including a video conferencing recording policy, technology & data use policy, and information security policy. The vast majority have signed Non Disclosure Agreements.

38. Currently, a majority of the customers and passings GWI serves are in Vermont. A substantial number of GWI employees and management reside in Vermont.

39. In addition to GWI's relationship with ECFiber, GWI designs, builds, and operates two other CUDs in Vermont: DVFiber and NWFiberworx.

F.X. Flinn's Scheme

40. The 10-year term of the Operating Agreement assumed by GWI ends on December 31, 2025.

41. Beginning in approximately Q4 2024, and through January 2025, GWI and ECFiber engaged in discussions regarding the potential re-negotiation and renewal of the Operating Agreement.

42. GWI approached and participated in these negotiations with ECFiber in good faith.

43. However, beginning no later than approximately October 2024, F.X. Flinn began sharing his plans to create a new management company that would be retained by the ECFiber governing board to oversee ECFiber's network operator.

44. As described by F.X. Flinn to multiple people – including to GWI employees while ECFiber's negotiations with GWI regarding the extension of the Operating Agreement were ongoing – this management company would do much of the work currently done by the ECFiber governing board, including retaining and managing the actual operator of the network.

According to F.X. Flinn's plan, which he openly discussed with more than one person, monies would flow from ECFiber through the management company, such that the operator would be paid by the management company.

45. F.X. Flinn stated to at least one person that he would like to hold a leadership position in the new management company, and that the officers and leadership of the management company would be well compensated.

46. At the time he began sharing these plans in October 2024, and through the present time, F.X. Flinn has served as Chair of the governing board of ECFiber.

47. Members of the governing board of ECFiber are not paid a salary, and are essentially unpaid volunteers.

48. Upon information and belief, F.X. Flinn also solicited and recruited at least one GWI employee to report to him directly and to take steps to uncover a pretext for ECFiber not to renew the Operating Agreement with GWI.

49. On February 11, 2025, while negotiations were still ongoing between GWI and ECFiber, GWI convened an internal meeting that lasted approximately two hours.

50. Only GWI personnel were invited to the meeting, either in-person or via Google Meet™.

51. Neither F.X. Flinn nor any other governing board member of ECFiber was invited to the meeting.

52. During the February 11, 2025 meeting, GWI leadership discussed numerous confidential and proprietary matters regarding GWI's business and processes, including unit economics, sales strategy, and network component strategy, regarding not only ECFiber, but other GWI customers, as well as potential customers and customer leads, from which GWI

derives economic value from not being generally known to, and not being readily ascertainable by proper means by others outside of GWI.

53. The meeting took place from approximately 9:00a ET until 11:00a ET.

54. While attending the meeting remotely via Google Meet™, a GWI employee (“Employee 1”) audio- and video-recorded the entire meeting, using the video camera of his/her personal (*i.e.* non-work-issued) mobile device.

55. Employee 1 undertook these actions surreptitiously, while working from home, and in violation of multiple GWI policies and of a Non-Disclosure Agreement that Employee 1 had signed.

56. Upon information and belief, Employee 1 used a personal mobile device to video-record the meeting in an attempt to evade detection of his/her surreptitious and unauthorized actions.

57. Upon information and belief, Employee 1 was acting in concert with F.X. Flinn.

58. When confronted later by GWI, Employee 1 admitted to surreptitiously recording the meeting.

59. Employee 1 stated that F.X. Flinn had requested that s/he bring forward information regarding perceived breaches of the Operating Agreement by GWI to his attention, ostensibly for the benefit of the governing board of ECFiber.

60. Employee 1 further stated that after recording the February 11, 2025 internal GWI meeting, s/he provided the two-hour-long .mov file to F.X. Flinn, who accepted it.

61. GWI did not authorize, explicitly or implicitly, Employee 1 to video-record this internal meeting or to disseminate the recording outside of GWI or to F.X. Flinn.

62. Upon information and belief, F.X. Flinn accepted the .mov file from Employee 1, knowing or having reason to know that Employee 1 had surreptitiously recorded the meeting and that he (F.X. Flinn) was not authorized to receive, possess, or view the video.

63. The .mov file created by Employee 1 bore the file name “IMG_0441.MOV.”

64. In the afternoon on February 11, 2025, F.X. Flinn uploaded the .mov file to ECFiber’s Google workspace on the ECFiber network.

65. F.X. Flinn then renamed the .mov file “ECFiber staff meeting 11 Feb 2024.MOV.”

66. In renaming the file in this manner, F.X. Flinn incorrectly identified the year “2024” in the file name and further incorrectly named the meeting as an “ECFiber staff meeting,” when it was, in fact, a GWI meeting.

67. F.X. Flinn uploaded the .mov file to ECFiber’s Google workspace without any restriction in permission or access.

68. After F.X. Flinn uploaded the .mov file to ECFiber’s Google workspace, the file was subsequently viewed or downloaded by multiple actors and IP addresses.

69. GWI did not authorize, explicitly or implicitly, F.X. Flinn to upload this file to ECFiber’s Google workspace or in any way disseminate it.

70. Upon information and belief, F.X. Flinn took these actions, knowing or having reason to know that he was not authorized to do so.

ECFiber’s Notice of Non-Renewal of the Operating Agreement

71. On February 12, 2025, the day after the February 11, 2025 GWI meeting, ECFiber’s counsel sent a Cease and Desist letter to GWI’s CEO, Kerem Durdag (“Cease and Desist Letter,” alleging that GWI was in breach of the Operating Agreement.

72. In the Cease and Desist Letter, ECFiber asserted that it had “been made aware” that GWI “intends to replace existing local customer service, which has supported ECFiber’s customers for many years, with a non-local call-center, and has also determined to reorganize or has already reorganized to eliminate Vermont-specific services and expertise as embodied in a new organization chart.”

73. ECFiber described this as a “major issue for ECFiber,” and asserted that “ECFiber is entitled to direct GWI, and GWI operates pursuant to ECFiber’s instructions. To be clear, ECFiber is *instructing* GWI to cease and desist from its Plan.” (Italics in original.)

74. ECFiber threatened to pursue legal remedies to enjoin GWI from proceeding with what ECFiber characterized as a “Plan” to violate the letter and spirit of the Operating Agreement.

75. ECFiber’s Cease and Desist Letter did not reference the .mov file or disclose that ECFiber’s governing board Chair had accepted, controlled, and/or disseminated the file from Employee 1.

76. ECFiber’s Cease and Desist Letter did not disclose how ECFiber had “been made aware” of what ECFiber asserted were GWI’s reorganization plans.

77. Clearly, however, the impetus for ECFiber’s Cease and Desist Letter was F.X. Flinn’s solicitation, acceptance, viewing, and dissemination of the .mov file depicting GWI’s internal meeting the day before.

78. ECFiber’s assertions in the Cease and Desist Letter were factually and legally incorrect.

79. GWI did not breach, and has not breached, the Operating Agreement.

80. Since taking over operations from ValleyNet, GWI has made significant operational investments and improvements for the benefit of the District.

81. ECFiber's assertion of control over GWI employees or its organization chart violated Section 20(e) of the Operating Agreement.

82. F.X. Flinn's commandeering a GWI employee, Employee 1, to report to him likewise violated Section 20(e) of the Operating Agreement.

83. ECFiber's and F.X. Flinn's assertion of control over GWI employees is also inconsistent with representations made by ECFiber in its Project Revenue Bonds Series 2023A limited offering memorandum dated November 9, 2023, which states at page 13: "Both ECF and the District have always contracted with an *experienced internet service provider* to run the ECFiber business subject to broad policies established by the board through contractual mechanisms designed to prevent interference with proper business practices. Board members have no control over or responsibility for day to day operations. The District has no employees." (Italics supplied.)

84. On February 14, 2025, through counsel, GWI responded in writing to the Cease and Desist Letter, to rebut ECF's unfounded assertions of operational changes to service for customers within the District.

85. GWI further assured ECFiber that notwithstanding ECFiber's ill-conceived Cease and Desist Letter, GWI would not be distracted from its day-to-day mission of delivering excellent service to customers within the District, and would continue to provide such service consistent with the Operating Agreement.

86. On February 18, 2025, after uncovering Employee 1's conduct and gaining a clearer understanding of what had occurred on February 11, GWI wrote to ECFiber to demand

that ECFiber and F.X. Flinn immediately take steps to remove and destroy all copies of the .mov file depicting GWI's February 11, 2025 meeting.

87. On February 19, 2025, ECFiber, through counsel, informed GWI that ECFiber was "no longer interested in negotiating any extension of its existing relationship with GWI" (hereafter, the "Notice of Non-Renewal").

88. ECFiber's Notice of Non-Renewal further informed GWI that the District "intends to return to the pre-existing operating model," which it referred to as the "ValleyNet model."

89. ECFiber stated that the .mov file had been removed from ECFiber's Google workspace, but did not state that all copies of the file had been destroyed.

90. On February 19, 2025, F.X. Flinn notified GWI Vermont LLC's general manager that "we have decided to return to the old way of doing things and are in the process of setting up a non-profit that will contract with the District to operate the business known by the trade name ECFiber."

91. F.X. Flinn has previously attempted to poach at least one GWI employee.

92. Upon information and belief, F.X. Flinn's plan is to attempt to poach GWI's employees who work on the District network, to staff the so-called "ValleyNet model."

FIRST CAUSE OF ACTION

Misappropriation of Trade Secrets, 9 V.S.A. § 4601 et seq. (Against F.X. Flinn, Individually and In His Official Capacity As Chair of the Governing Board of ECFiber)

93. GWI repeats and incorporates by reference the allegations in paragraphs 1 through 92 of this Complaint.

94. GWI owns trade secrets protected by law and from which it derives independent economic value, actual or potential, from not being generally known to, and not being readily

ascertainable by proper means by others who can obtain economic value from their disclosure or use.

95. GWI undertook reasonable efforts to maintain the secrecy of its trade secrets.

96. F.X. Flinn acquired GWI's trade secrets, knowing or having reason to know that the trade secrets were acquired by improper means, namely by soliciting and accepting the surreptitious and unauthorized video-recording of GWI's internal meeting by Employee 1 on February 11, 2025.

97. F.X. Flinn disclosed and/or GWI's trade secrets without GWI's express or implied consent, by uploading the .mov file provided by Employee 1 to ECFiber's Google workspace, without restriction in access or permission, which was subsequently viewed and downloaded by multiple other actors and IP addresses.

98. F.X. Flinn disclosed and/or used GWI's trade secrets, knowing or having reason to know that his knowledge of the trade secrets was derived from or through a person who had utilized improper means to acquire it, namely the surreptitious and unauthorized video-recording by Employee 1 on February 11, 2025.

99. F.X. Flinn's misappropriation was malicious, as it was undertaken in furtherance of a scheme to manufacture a pretext for ECFiber's non-renewal of the Operating Agreement and pave the way for F.X. Flinn's preferred management company and/or operating structure to succeed GWI, for his own personal and/or pecuniary gain, in violation of his fiduciary duties to the District.

100. F.X. Flinn also undertook the foregoing acts while serving as Chair of the governing board of ECFiber and acting within the scope of his official duties.

101. GWI has been damaged by F.X. Flinn's misappropriation of its trade secrets, for which GWI requests relief in the form of monetary remedies and/or injunctive relief to destroy the .mov file (and all copies, notes, summaries, extracts derived therefrom) and to refrain from further misappropriation.

SECOND CAUSE OF ACTION
Unfair Competition
(F.X. Flinn, Individually and In His Official Capacity As
Chair of the Governing Board of ECFiber)

102. GWI repeats and incorporates by reference the allegations in paragraphs 1 through 101 of this Complaint.

103. F.X. Flinn engaged in acts of unfair competition against GWI by supervising Employee 1, directing that Employee 1 provide GWI's confidential information to him, improperly obtaining GWI's confidential material from Employee 1 and retaining it, and putting that material to unfair competitive use by disseminating it within ECFiber.

104. Upon information and belief, F.X. Flinn undertook these acts in order to unfairly disadvantage GWI as part of an ongoing negotiation to renew the Operating Agreement and to bolster F.X. Flinn's scheme to establish a management company in which he would serve in a leadership role that would oversee a new operator.

105. F.X. Flinn engaged in misappropriation and exploitation of GWI's confidential information, assets, and property for pecuniary gain.

106. F.X. Flinn also undertook the foregoing acts while serving as Chair of the governing board of ECFiber and acting within the scope of his official duties.

107. GWI has suffered damages as a direct and proximate result of F.X. Flinn's acts of unfair competition, for which GWI requests relief in the form of monetary remedies and/or

injunctive relief to destroy the .mov file (and all copies, notes, summaries, extracts derived therefrom) and to refrain from further acts of unfair competition.

THIRD CAUSE OF ACTION
Tortious Interference with Prospective Business Relationship
(F.X. Flinn, Individually)

108. GWI repeats and incorporates by reference the allegations in paragraphs 1 through 107 of this Complaint.

109. GWI and ECFiber entered into a valid and enforceable contract, the Operating Agreement, which was up for renewal at the end of 2025.

110. GWI negotiated in good faith with ECFiber in an effort to win a renewal of the Operating Agreement.

111. GWI had a valid business relationship with ECFiber, and a valid and reasonable expectancy of a new renewal of the Operating Agreement.

112. F.X. Flinn had knowledge of this relationship and GWI's expectancy of a renewal of the Operating Agreement that was being negotiated.

113. F.X. Flinn improperly interfered with GWI's prospective business relationship with ECFiber by acting in concert with Employee 1 to conduct unauthorized surveillance on GWI, manufacture a pretext for ECFiber not to renew the Operating Agreement with GWI, in furtherance of a scheme to form a management company in which he would serve in a leadership role, be compensated by ECFiber, and which would oversee a non-profit operator staffed by GWI's employees.

114. As a direct and proximate result of F.X. Flinn's improper interference, GWI lost its opportunity to renew the Operating Agreement with ECFiber.

115. GWI has suffered damages due to the loss of expected profits resulting from F.X. Flinn's improper acts of interference.

FOURTH CAUSE OF ACTION
Tortious Interference with Contract
(F.X. Flinn, Individually)

116. GWI repeats and incorporates by reference the allegations in paragraphs 1 through 115 of this Complaint.

117. At all relevant times, GWI and ECFiber had a valid contract, the Operating Agreement.

118. The Operating Agreement provided that no GWI employee would be supervised or report to any ECFiber official.

119. F.X. Flinn knew about the Operating Agreement and all its provisions but still intentionally, unfairly, and improperly interfered with the contractual relationship between GWI and ECFiber by commandeering and directing at least one GWI employee, Employee 1, to report to him and to undertake tasks that were disloyal to GWI, violated GWI policies, and were for his personal gain.

120. F.X. Flinn's improper interference caused ECFiber to violate the Operating Agreement and directly harmed GWI.

121. GWI seeks relief in the form of monetary remedies and/or injunctive relief against further F.X. Flinn's further interference in GWI's operations, commandeering of and attempts to poach GWI employees, to the extent permitted by law.

FIFTH CAUSE OF ACTION
Civil Conspiracy
(F.X. Flinn, Individually)

122. GWI repeats and incorporates by reference the allegations in paragraphs 1 through 121 of this Complaint.

123. F.X. Flinn entered into a tacit or express agreement with at least one other person, Employee 1, to financially harm GWI, and capture and put at risk GWI's confidential material and trade secrets, aiding and abetting the violation of Employee 1's contractual obligations and fiduciary duties to GWI.

124. In furtherance of this agreement, F.X. Flinn and Employee 1, among other things, acted in concert to secretly video-record an internal meeting at GWI, use or disclose the video of the meeting to others without GWI's express or implied consent. These overt acts were undertaken to further the aims of the conspiracy and were unlawful.

125. These actions were done for F.X. Flinn's benefit and undertaken with malice, in order to create a pretext for ECFiber not to renew the Operating Agreement.

126. GWI has suffered damages that were directly and proximately caused by F.X. Flinn's unlawful acts in concert with Employee 1.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs Biddeford Internet Corporation d/b/a Great Works Internet and GWI Vermont, LLC ("GWI") respectfully request that this Court:

- A. Award GWI compensatory damages;
- B. Award GWI damages for actual loss and unjust enrichment, or in the alternative, a reasonable royalty;
- C. Award GWI punitive damages pursuant to 9 V.S.A. § 4603(b);
- D. Enter judgment as against F.X. Flinn individually and in his official capacity as Chair of the governing board of East Central Vermont Telecommunications District;
- E. Enter an Order(s) preliminarily/permanently enjoining F.X. Flinn from misappropriating GWI's trade secrets and confidential information, interfering in GWI's

operations, interfering with GWI's contracts and prospective business relations, and soliciting GWI's employees;

- F. Award GWI attorneys' fees, costs, and interest allowed by law; and
- G. Grant such other and further relief as the Court may deem just and proper.

JURY DEMAND

Pursuant to Vermont Rule of Civil Procedure 38, Plaintiffs Biddeford Internet Corporation d/b/a Great Works Internet and GWI Vermont, LLC demand a jury trial on all issues so triable.

Respectfully submitted,

DOWNS RACHLIN MARTIN PLLC

/s/ Evan J. O'Brien

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*Attorneys for Plaintiffs Biddeford Internet
Corporation d/b/a Great Works Internet and
GWI Vermont, LLC*

Dated: February 24, 2025

EXHIBIT #2

to Deft's Mtn to Dismiss

BOOK-ENTRY ONLY**RATING: S&P: BB**

(See "DESCRIPTION OF RATING" herein)

In the opinion of Primmer Piper Eggleston & Cramer, PC, Bond Counsel to the District, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Series 2023A Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Series 2023A Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax and interest on the 2023A Bonds is taken into account in determining "adjusted financial statement income" for purposes of computing the alternative minimum tax imposed on "applicable corporations" for the tax years beginning after December 31, 2022. In the opinion of Bond Counsel, under existing law, the interest is not subject to the Vermont personal income tax or the Vermont corporate income tax.. See "TAX EXEMPTION" herein. The District has determined that each of the Series 2023A Bonds is a "qualified tax-exempt obligation" for purposes and effect contemplated by Section 265(b)(3) of the Code ("Bank Qualified"). See "TAX EXEMPTION" herein.

\$7,530,000

**EAST CENTRAL VERMONT
TELECOMMUNICATIONS DISTRICT
Project Revenue Bonds, Series 2023A**

Dated: Date of Delivery**Due: December 1, as shown herein**

The East Central Vermont Telecommunications District (the "District") is issuing its Project Revenue Bonds, Series 2023A (the "Series 2023A Bonds"). The Series 2023A Bonds will be issued only as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co. as Bondowner and nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Series 2023A Bonds. Purchases of the Series 2023A Bonds will be made in book-entry form, in denominations of \$5,000 or any multiple of \$5,000 in excess thereof. Purchasers will not receive certificates representing their interest in Series 2023A Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2023A Bonds. See APPENDIX F – "Book-Entry-Only System."

U.S. Bank Trust Company, National Association will act as trustee, paying agent, transfer agent and registrar for the Series 2023A Bonds (the "Trustee"). The principal or redemption price of and interest on the Series 2023A Bonds will be payable as described herein. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner, as more fully described herein.

Interest on the Series 2023A Bonds will be payable on June 1, 2024, and semi-annually thereafter on each June 1 and December 1 to the Bondowners of record as of the close of business on the fifteenth (15th) day of the month preceding such interest payment date (or if such date is not a business day, the next preceding business day).

The Series 2023A Bonds shall be subject to optional, mandatory and special redemption prior to maturity, as described herein.

The Series 2023A Bonds shall be special obligations of the District payable solely from and secured solely by the Revenues (as defined herein) or money and securities of the District, including payments to the Trustee by the District in accordance with the provisions of a General Bond Resolution adopted by the Governing Board of the District on March 8, 2016, as amended on August 14, 2018, July 9, 2019, November 12, 2019, November 10, 2020 and November 9, 2021 (the "General Resolution") and a Series 2023A Resolution adopted by the Governing Board of the District on November 14, 2023 (the "Supplemental Resolution" and together with the General Resolution, the "Resolution"), pursuant to which the Series 2023A Bonds are issued. Such payments required to be paid by the District will be in amounts sufficient to pay, when due, interest on and principal of the Series 2023A Bonds, together with any redemption premium, all in accordance with the Resolution. Neither the State of Vermont nor any political subdivision thereof shall be obligated to pay the principal or redemption price of, or interest on any Series 2023A Bond, and neither the faith and credit nor the taxing power of Vermont or any political subdivision thereof is pledged to such payment. The District has no taxing power.

THE SERIES 2023A BONDS WILL BE OFFERED ONLY TO "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A OF THE SECURITIES ACT OF 1933, AS AMENDED) AND "ACCREDITED INVESTORS" (AS DEFINED IN THE SECURITIES ACT OF 1933, AS AMENDED) TO WHOM THIS LIMITED OFFERING MEMORANDUM HAS BEEN FURNISHED. THE SERIES 2023A BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR ANY STATE SECURITIES LAWS AND MAY BE TRANSFERRED IN THE FUTURE AND HELD ONLY BY QUALIFIED INSTITUTIONAL BUYERS AND ACCREDITED INVESTORS. THIS LIMITED OFFERING MEMORANDUM IS BEING FURNISHED SOLELY FOR CONSIDERATION BY QUALIFIED INSTITUTIONAL BUYERS AND ACCREDITED INVESTORS WITH SUBSTANTIAL FINANCIAL RESOURCES AND THE EXPERIENCE AND FINANCIAL EXPERTISE TO UNDERSTAND AND EVALUATE THE HIGH DEGREE OF RISK INHERENT IN THIS INVESTMENT, INCLUDING THE RISK OF NON-PAYMENT OF PRINCIPAL AND INTEREST. THIS LIMITED OFFERING MEMORANDUM PRESENTS ONLY LIMITED INFORMATION RELATED TO THE DISTRICT, THE PLAN OF FINANCE AND MATTERS PERTINENT TO THE EXPECTED REPAYMENT OF THE SERIES 2023A BONDS. PROSPECTIVE PURCHASERS OF THE SERIES 2023A BONDS ARE EXPECTED TO CONDUCT THEIR OWN INDEPENDENT DUE DILIGENCE INVESTIGATIONS WITH RESPECT TO THE SERIES 2023A BONDS AND THE DISTRICT. DOCUMENTS AND MATERIALS ARE AVAILABLE TO SUCH PROSPECTIVE PURCHASERS UPON REQUEST.

PURCHASE OF THE SERIES 2023A BONDS INVOLVES A HIGH DEGREE OF RISK. POTENTIAL INVESTORS IN THE SERIES 2023A BONDS ARE ADVISED TO READ THE ENTIRE LIMITED OFFERING MEMORANDUM, INCLUDING THE APPENDICES HERETO, WHICH ARE A PART OF THIS LIMITED OFFERING MEMORANDUM. THIS COVER PAGE CONTAINS INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE LIMITED OFFERING MEMORANDUM TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Series 2023A Bonds will be offered when, as and if issued and accepted by the purchasers identified by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice and subject to the approval of legality and certain other matters by Primmer Piper Eggleston & Cramer PC, Bond Counsel to the District. Certain legal matters will be passed upon for the Underwriter by McCarter & English, LLP, Boston, Massachusetts. The Series 2023A Bonds are expected to be available for delivery to DTC in New York, New York or its custodial agent on or about November 28, 2023.

MUNICIPAL CAPITAL MARKETS GROUP, INC.**Dated: November 17, 2023**

MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS/PRICES***\$7,530,000****EAST CENTRAL VERMONT TELECOMMUNICATIONS DISTRICT
PROJECT REVENUE BONDS, SERIES 2023A**

Principal Amount	Coupon	Maturity	Price	Yield	CUSIP[†]
\$7,530,000	6.875%	Term Bonds due December 1, 2046	100.00%	6.875%	271524BA7

[†] The CUSIP (Committee on Uniform Securities Identification Procedures) numbers on the inside cover of this Limited Offering Memorandum have been assigned by an organization not affiliated with the District or the Trustee, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of Bondowners and no representation is made as to the correctness of the CUSIP numbers printed on the inside cover hereof. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including but not limited to the refunding or defeasance of such issue or the use of secondary market financial products. Neither the District nor the Trustee has agreed to, nor is there any duty or obligation to, update this Limited Offering Memorandum to reflect any change or correction in the CUSIP numbers printed on the inside cover hereof.

No dealer, broker, salesperson or other person has been authorized by any of the Municipalities (defined herein) or the District to give any information or to make any representations, other than those contained in this Limited Offering Memorandum and, if given or made, such information or representation must not be relied upon as having been authorized by any of the foregoing. This Limited Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2023A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been provided by or on behalf of the District. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Limited Offering Memorandum nor any sale of the Series 2023A Bonds shall under any circumstances create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof.

This Limited Offering Memorandum and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may an offer to buy be accepted prior to the time the Limited Offering Memorandum is delivered in final form. Under no circumstances shall this Limited Offering Memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE DISTRICT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SERIES 2023A BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) IN RELIANCE UPON THE EXEMPTIONS CONTAINED IN SUCH ACTS. THE SECURITIES AND EXCHANGE COMMISSION HAS NOT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS LIMITED OFFERING MEMORANDUM. WITH RESPECT TO THE VARIOUS STATES IN WHICH THE SERIES 2023A BONDS MAY BE OFFERED, NO ATTORNEY GENERAL, STATE OFFICIAL, STATE AGENCY OR BUREAU, OR OTHER STATE OR LOCAL GOVERNMENTAL AUTHORITY OR ENTITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS LIMITED OFFERING MEMORANDUM OR PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OF THE SERIES 2023A BONDS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE OFFERING CONTEMPLATED BY THIS LIMITED OFFERING MEMORANDUM WILL BE MADE IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT FOR MUNICIPAL SECURITIES.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS IN THIS LIMITED OFFERING MEMORANDUM

This Limited Offering Memorandum contains statements that should be considered “forward-looking statements,” meaning they refer to possible future events or conditions. Such statements are generally identifiable by the words such as “plan,” “expect,” “anticipate,” “estimate,” “project,” “budget” or similar words.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements expressed or implied by such forward-looking statements to differ from such forward-looking statements, and such differences may be material. These forward-looking statements speak only as of the date of this Limited Offering Memorandum. The District disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the District’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based, except as required by law.

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LIMITED OFFERING MEMORANDUM**Relating to****\$7,530,000**

**EAST CENTRAL VERMONT
TELECOMMUNICATIONS DISTRICT
Project Revenue Bonds, Series 2023A**

INTRODUCTORY STATEMENT**Purpose of this Limited Offering Memorandum**

The purpose of this Limited Offering Memorandum is to set forth certain information concerning the East Central Vermont Telecommunications District (the “District”) and the District’s Project Revenue Bonds, Series 2023A, to be issued in the aggregate principal amount of \$7,530,000 (the “Series 2023A Bonds”). The Series 2023A Bonds are to be issued pursuant to a General Bond Resolution adopted by the Governing Board of the District on March 8, 2016, as amended on August 14, 2018, July 9, 2019, November 12, 2019, November 10, 2020 and November 9, 2021 (the “General Resolution”) and a Series 2023A Resolution adopted by the Governing Board of the District on November 14, 2023 (the “Supplemental Resolution” and together with the General Resolution, the “Resolution”). U.S. Bank Trust Company, National Association will act as trustee, paying agent, transfer agent and registrar under the Resolution for the Series 2023A Bonds (the “Trustee”). The District is authorized under Chapter 82 of Title 30 of the Vermont Statutes Annotated, Section 21 of No. 41 of the Acts of 2015 and Subchapter 2 of Chapter 53 and Chapter 54 of Title 53 of the Vermont Statutes Annotated (said Chapters and Act, collectively and as amended to date, the “Act”), and pursuant to the Resolution to issue the Series 2023A Bonds. The information contained in this Limited Offering Memorandum is provided for use in connection with the initial sale of the Series 2023A Bonds.

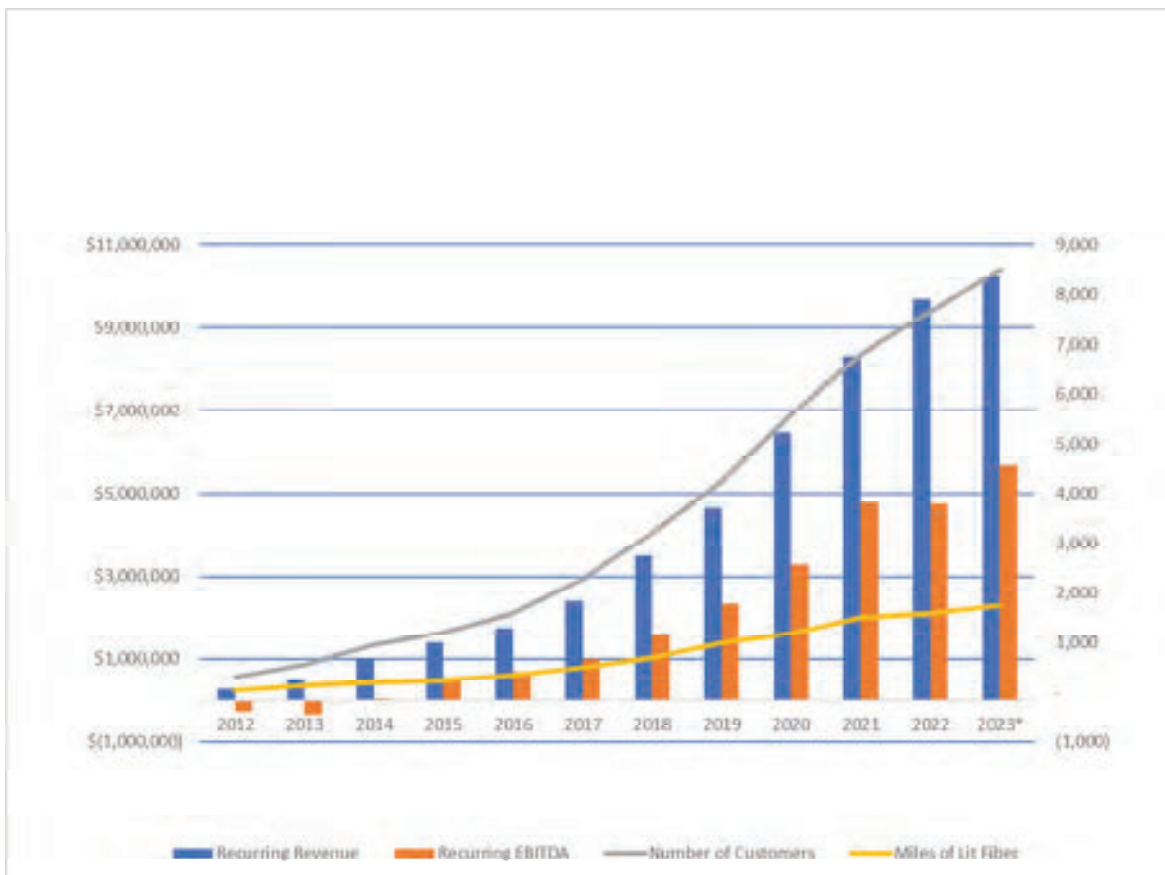
The District

Under the trade name ECFiber, the District currently provides internet and telephone services in 23 of its 31 member towns and plans to complete network construction by the end of 2025. The network passed over 20,000 residential and businesses locations at the end of 2022 and will reach more than 27,000 by the end of 2023. The District plans to use the proceeds of the Series 2023A Bonds to extend service to those requesting it and continuing to build its network. At completion, the Network will pass over 32,500 locations in 31 member towns.

Customers Connected & Miles of Lit Fiber Constructed													
Since Inception													
Date	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Projected 2023
Number of Customers	126	298	552	947	1,201	1,589	2,282	3,215	4,239	5,584	6,790	7,667	9,089
% Increase of Customers		136.5%	85.2%	71.6%	26.8%	32.3%	43.6%	40.9%	31.9%	31.7%	21.6%	12.9%	18.5%
Miles of Lit Fiber	22	41	135	189	235	326	499	685	981	1,189	1,499	1,585	1,785
% Increase of Miles		86.4%	229.3%	40.0%	24.3%	38.7%	53.1%	37.3%	43.2%	21.2%	26.1%	5.7%	12.6%
Customers per Mile	5.7	7.3	4.1	5.0	5.1	4.9	4.6	4.7	4.3	4.7	4.5	4.8	5.1

Historical Results¹ (see summary of financial results on pages 22-24)

The District has experienced many years of steady growth in revenue and profitability. The organization has been able to translate most of its revenue growth over the past three years into increased earnings before interest, taxes, depreciation, and amortization (EBITDA).



Organization History

In 2008, 23 Vermont towns and one city entered into an interlocal contract to construct and operate a fiber-to-the premises (“FTTP”) telecommunications network (the “Network”) to serve residents and businesses located within their boundaries. Their joint action entity, East Central Vermont Community Fiber, and its wholly-owned subsidiary, ECF Holding, LLC (collectively referred to herein as “ECF”), began providing telecommunication services in 2011. The District was formed in 2015 by the same municipalities, and succeeded to all of the assets and liabilities of ECF pursuant to an Assignment and Assumption Agreement and a Bill of Sale and Assignment effective January 1, 2016. In May 2020, four municipalities joined the District. In July 2020, four additional municipalities joined the District. In August 2020, the City of Montpelier, which was not contiguous with any other District towns, formally withdrew from the District and joined the Central Vermont Communications Union District. Currently there are 31 member municipalities in the District, all Vermont towns. All references to the District herein shall include instances where the assets and liabilities were previously ECF’s, except where necessary for clarity. See “THE DISTRICT” herein for more information regarding the District and the Network.

¹2016, 2017, 2018, 2019, 2020, 2021 and 2022 figures are District results. 2023 figures are District’s projections. All results prior to 2016 are ECF.

THE SERIES 2023A BONDS

General

The Series 2023A Bonds are to be issued pursuant to the Act and other applicable provisions of law and will be secured and issued in accordance with the Resolution. The Series 2023A Bonds initially will be issued in the form of a single registered bond for each maturity and will be delivered to Cede & Co. as registered owner and nominee for The Depository Trust Company, New York, New York (“DTC”). See APPENDIX F – “Book-Entry Only System.”

The Series 2023A Bonds will be dated their date of initial delivery and will bear interest from such date, payable on June 1, 2024 and on each June 1 and December 1 thereafter, at the rates and maturing on the dates set forth on the inside cover page of this Limited Offering Memorandum. Interest will be payable to the Bondowners of record as of the close of business on the fifteenth (15th) day of the month preceding such interest payment date (or if such date is not a business day, the next preceding business day). The Series 2023A Bonds will be subject to optional, mandatory and special redemption, as described herein. See “THE SERIES 2023A BONDS” herein.

Subject to the provisions discussed under APPENDIX F – “Book-Entry Only System”, the Series 2023A Bonds are issuable as fully registered bonds without coupons in the minimum denomination of \$5,000 or any multiple of \$5,000 in excess thereof. Principal or redemption premium, if any, of the Series 2023A Bonds will be payable at the corporate trust office of the Trustee and interest on the Series 2023A Bonds will be paid by check or draft mailed, or by wire to the registered owners as of the fifteenth day of the month preceding the date on which interest is to be paid.

Use of Proceeds

The proceeds of the Series 2023A Bonds will be used by the District to (i) design, build, construct, improve, and acquire additional telecommunication network and capital equipment; (ii) fund the Debt Service Reserve Fund for the Series 2023A Bonds; and (iii) pay the costs of issuing the Series 2023A Bonds, including Underwriter’s discount. A more detailed description of the use of proceeds of the Series 2023A Bonds, including approximate amounts and purposes, is included herein under “ESTIMATED SOURCES OF FUNDS AND USES OF PROCEEDS” and see also “THE DISTRICT – Network Completion Plan.”

Redemption Provisions

Optional Redemption

The Series 2023A Bonds are redeemable prior to maturity on and after December 1, 2035, as a whole or in part on any interest payment date, as determined by the District and by lot within a maturity, at a redemption price equal to 100% of their principal amount, plus accrued interest to the redemption date.

Mandatory Redemption

The Series 2023A Bonds are subject to mandatory redemption from sinking fund installments on each December 1 at their principal amounts without premium as follows:

<u>Year</u>	<u>Principal Amount</u>
2044	\$1,500,000
2045	3,000,000
2046 [†]	3,030,000

[†] Maturity Date.

Moneys on deposit in the Sinking Fund Account for a sinking fund installment of a maturity may, and if so directed by an Authorized Officer shall, be applied to the purchase of such maturity, at a price not exceeding the applicable redemption price, at least 60 days before the sinking fund installment date, and these purchases shall be

credited against the sinking fund installment at the applicable redemption price. The District may also purchase Series 2023A Bonds of a maturity with other available funds (excluding funds in the Special Redemption Account) and credit them against a sinking fund installment applicable to them at the applicable redemption price by delivering them to the Trustee for cancellation at least 60 days before the sinking fund installment date.

Redemption in the Event of Determination of Taxability

The Series 2023A Bonds are subject to redemption prior to maturity, as a whole at any time, on the earliest available redemption date, without premium, plus accrued interest to the redemption date, in the event of a Determination of Taxability. See APPENDIX B-1 and APPENDIX B-2 – “The General Resolution, as amended” and “Proposed Form of the Supplemental Resolution”, respectively.

Selection of Bonds

If less than all of the Outstanding Series 2023A Bonds of any maturity are to be called for redemption, the Series 2023A Bonds of that maturity (or portions thereof) to be redeemed will be selected by the Trustee in a manner which it deems fair, provided that while the Book-Entry-Only System is in effect, the Series 2023A Bonds or any portions thereof to be redeemed within a maturity will be selected by The Depository Trust Company (“DTC”), in such manner as DTC may determine.

Notice of Redemption

So long as DTC or its nominee is the Bondowner, the District and the Trustee will recognize DTC or its nominee as the Bondowner for all purposes, including notices and voting. Conveyance of notices and other communications by DTC to Direct Participants (as defined herein), by Direct Participants to Indirect Participants (as defined herein), and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory and regulatory requirements which may be in effect from time to time.

When Series 2023A Bonds are to be redeemed, the Trustee shall give notice in the name of the District, mailed not less than thirty (30) days prior to the redemption date, to the registered holder at his or her address as shown on the books of registry.

Effect of Redemption

On the redemption date, subject to the conditionality of the redemption notice, the redemption price of each Series 2023A Bond to be redeemed will become due and payable, and from and after such date, notice having been properly given and amounts having been made available and set aside for such redemption in accordance with the provisions of the Resolution, notwithstanding that any such Series 2023A Bonds called for redemption have not been surrendered, no further interest will accrue on any Series 2023A Bonds called for redemption.

Acceleration

In addition to the foregoing redemption provisions, the Trustee may declare all of the Bonds due and payable at par prior to maturity upon the occurrence of an Event of Default under the Resolution. See APPENDIX B-1 – “The General Resolution, as amended.”

Book-Entry-Only System

DTC will act a securities depository for the Bonds. Certain information regarding the DTC and the book-entry only system is set forth in APPENDIX F – “Book-Entry Only System.” The information contained in APPENDIX F is based upon information furnished by DTC. None of the District, the Trustee or the Underwriter makes any representation as to the completeness or the accuracy of such information or as to the absence of a material change in such information subsequent to the date hereof.

Certain Information Relating to this Limited Offering Memorandum and the Series 2023A Bonds

The descriptions herein of the Resolution and other documents relating to the Series 2023A Bonds do not purport to be complete and are qualified in their entirety by reference to such documents, and the description herein of the Series 2023A Bonds is qualified in its entirety by the form thereof and the information with respect thereto included in such documents. Copies of such documents may be obtained from the District, through a request made to the Underwriter. See APPENDIX B-1 and APPENDIX B-2 – “The General Resolution, as amended” and “Proposed Form of the Supplemental Resolution”, respectively.

All capitalized terms used in this Limited Offering Memorandum and not otherwise defined herein have the same meanings as in the Resolution. See APPENDIX B-1 and APPENDIX B-2 – “The General Resolution” and “Proposed Form of the Supplemental Resolution”, respectively, for definitions of certain words and terms used but not otherwise defined herein.

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither delivery of this Limited Offering Memorandum nor any sale made hereunder nor any future use of this Limited Offering Memorandum will, under any circumstances, create any implication that there has been no change in the affairs of the District.

THE BONDS WILL BE OFFERED ONLY TO ‘QUALIFIED INSTITUTIONAL BUYERS’ (AS DEFINED IN RULE 144A OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE ‘SECURITIES ACT’)) AND ‘ACCREDITED INVESTORS’ (AS DEFINED IN THE SECURITIES ACT) TO WHOM THIS LIMITED OFFERING MEMORANDUM HAS BEEN FURNISHED. THE SERIES 2023A BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR ANY STATE SECURITIES LAWS.

THIS LIMITED OFFERING MEMORANDUM IS BEING FURNISHED SOLELY FOR CONSIDERATION BY QUALIFIED INSTITUTIONAL BUYERS AND ACCREDITED INVESTORS WITH SUBSTANTIAL FINANCIAL RESOURCES AND THE EXPERIENCE AND FINANCIAL EXPERTISE TO UNDERSTAND AND EVALUATE THE HIGH DEGREE OF RISK INHERENT IN THIS INVESTMENT, INCLUDING THE RISK OF NON-PAYMENT OF PRINCIPAL AND INTEREST. SEE ‘RISK FACTORS’ HEREIN.

THIS LIMITED OFFERING MEMORANDUM PRESENTS ONLY LIMITED INFORMATION RELATED TO THE DISTRICT, THE PLAN OF FINANCE AND MATTERS PERTINENT TO THE EXPECTED REPAYMENT OF THE SERIES 2023A BONDS. PROSPECTIVE PURCHASERS OF THE SERIES 2023A BONDS ARE EXPECTED TO CONDUCT THEIR OWN INDEPENDENT DUE DILIGENCE INVESTIGATIONS WITH RESPECT TO THE SERIES 2023A BONDS AND THE DISTRICT. DOCUMENTS AND MATERIALS ARE AVAILABLE TO SUCH PROSPECTIVE PURCHASERS UPON REQUEST.

SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2023A BONDS

General

The Series 2023A Bonds will be special obligations of the District payable solely from and secured solely by the Revenues or moneys and securities of the District pledged under the Resolution for the payment thereof. The Series 2023A Bonds, together with any Additional Indebtedness that has been or will be issued on parity with the Series 2023A Bonds under the General Resolution, are equally and ratably secured by the pledge of the Resolution, and the undertakings of the District in the Resolution are for the equal and proportionate benefit of the Bondowners, except as otherwise expressly provided in the Resolution. The Series 2023A Bonds are on parity with the District’s \$9,225,000 aggregate original principal amount of Project Revenue Bonds, Series 2016A (the “Series 2016A Bonds”), the District’s \$14,580,000 aggregate original principal amount of Project Revenue Bonds, Series 2017A (the “Series 2017A Bonds”), the District’s \$8,500,000 aggregate original principal amount of Project Revenue Bonds, Series 2018A (the “Series 2018A Bonds”), the District’s \$10,000,000 aggregate original principal amount of

Project Revenue Bonds, Series 2019A (the “Series 2019A Bonds”), the District’s \$12,000,000 aggregate original principal amount of Project Revenue Bonds, Series 2020A (the “Series 2020A Bonds”) and the District’s \$9,000,000 aggregate original principal amount of Project Revenue Bonds, Series 2021A (the “Series 2021A Bonds” and collectively with the Series 2016A Bonds, the Series 2017A Bonds, the Series 2018A Bonds, the Series 2019A Bonds and the Series 2021A Bonds, the “Outstanding Bonds”) and any Additional Indebtedness issued on a parity with the Series 2023A Bonds.

The following summary of the security for the Series 2023A Bonds is qualified in its entirety and reference is hereby made to APPENDIX B-1 and APPENDIX B-2 – “The General Resolution” and “Proposed Form of the Supplemental Resolution”, respectively. For definitions of certain capitalized terms used but not defined herein, see APPENDIX B-1 and APPENDIX B-2 for such definitions.

The Series 2023A Bonds constitute valid and binding special obligations of the District for which the Revenues of the District are pledged to the payment of the principal and redemption price of and interest on the Series 2023A Bonds. The District is subject to suit, but its property is not generally subject to attachment or levy by execution to satisfy a judgment on the Series 2023A Bonds. The District has no taxing power. In addition, the Vermont General Assembly has not enacted nor is it considering at this time legislation that would authorize a municipality to seek protection under Chapter 9 of the federal Bankruptcy Code. Therefore, in the opinion of Primmer Piper Eggleston & Cramer PC, Bond Counsel to the District, the District is not eligible to seek protection under the federal Bankruptcy Code at this time.

Neither the State of Vermont nor any political subdivision thereof shall be obligated to pay the principal of or premium or interest on any Series 2023A Bond, and neither the faith and credit nor taxing power of the State of Vermont or of any political subdivision thereof is pledged to such payment.

The District may issue Additional Bonds, Notes or other evidence of indebtedness on a parity with the Series 2023A Bonds (collectively, “Bonds”) upon the satisfaction of certain conditions. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2023A BONDS – Outstanding Leases and Indebtedness and Additional Indebtedness: Subordinate Bonds and Notes and Other Indebtedness” and APPENDIX B-1 – “The General Resolution.” All Bonds are equally and ratably secured under the provisions of the Resolution and by the Funds and Accounts established thereunder and all Bonds will be on parity with the Series 2023A Bonds. The District has previously issued the Series 2016A Bonds, the Series 2017A Bonds, the Series 2018A Bonds, the Series 2019A Bonds, the Series 2020A Bonds and the Series 2021A Bonds, which constitute Bonds under the Resolution.

The Resolution also permits the issuance of bonds, notes or other evidences of indebtedness payable from the Revenue Fund and the Revenues subordinate to Bonds (“Subordinate Indebtedness”). In the event of any Event of Default under the Resolution, so long as there are any Bonds Outstanding, directions to the Trustee with respect to remedies shall be given by a majority of the holders of the Outstanding Bonds, excluding the holders of any subordinated obligations. See APPENDIX B-1 – “The General Resolution, as amended.”

Revenue Pledge

In the Resolution, the District pledges as security for Bonds, including the Series 2023A Bonds, (i) all Revenues, and (ii) all moneys and securities in all Funds and Accounts created by or pursuant to the Resolution and the proceeds thereof, whether any of the foregoing are existing when Bonds are issued or are thereafter acquired, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution. The provisions of the Resolution shall be a part of and shall constitute a contract by the District with the Bondowners.

“Revenues” means all payments, fees, charges, proceeds, rents, receipts, profits and other income derived by or for the account of the District from or related to a Project and the sale of communications services therefrom including without limit: (a) all interest, profits or other income from the investment of any moneys held pursuant to the Resolution; (b) proceeds from any sale, lease, decommissioning or other disposition of the Network or a portion thereof; (c) all grant revenues received by the District for capital projects that have been completed by the District provided the grant proceeds are not donor restricted; and (d) proceeds of insurance and condemnation awards in respect of any portion of the Network.

The Bonds shall be special obligations of the District payable solely from and secured solely by the Revenues or moneys and securities of the District pledged hereunder for the payment thereof. The Bonds are equally and ratably secured by the pledge of the Resolution, and the undertakings of the District in the Resolution are for the equal and proportionate benefit of the Bondowners, except as otherwise expressly provided in the Resolution. Currently, the District has outstanding \$8,370,000 aggregate principal amount of its Series 2016A Bonds, \$13,550,000 aggregate principal amount of its Series 2017A Bonds, \$8,120,000 aggregated principal amount of its Series 2018A Bonds, \$9,800,000 aggregate principal amount of its Series 2019A Bonds, \$12,000,000 aggregate principal amount of its Series 2020A Bonds and the \$9,000,000 aggregate principal amount of its Series 2021A Bonds pursuant to the General Resolutions. The Series 2023A Bonds, when issued, will be issued on parity with the Outstanding Bonds.

The General Resolution provides that the District shall promptly as practicable after receipt cause all Revenues received (other than the Revenues expressly required or permitted by the Resolution to be credited to or deposited in any other Fund or Account) to be applied in the following order of priority:

- First, to payment of the amounts required to be paid from the Revenue Fund into the Debt Service Fund and Debt Service Reserve Fund;
- Second, to payment to the District to pay Operating Expenses;
- Third, to payment of the amounts (if any) required to be paid from the Revenue Fund into the Reserve and Contingency Fund;
- Fourth, to payment of the amounts required to be paid from the Revenue Fund into the Redemption Fund and the Rebate Fund;
- Fifth, in accordance with, and to purposes permitted by Section 5.6 of the General Resolution, including the pledging of the same to secure other obligations or payment to the District free and clear of the lien of the Resolution. Section 5.6 of the General Resolution provides that if, after the District has made the required transfers from the Revenue Fund, the amount on deposit in the Revenue Fund exceeds the reserve (if any) for operating expenses pursuant to the provisions of the Resolution, the District may apply the excess (a) to pay costs of modifications, additions and betterments to the Network, (b) to redeem Bonds by deposit to the Optional Redemption Account, or (c) to any other lawful purpose of the District, including deposits in any Funds or Accounts (other than the Special Redemption Account) and expansion of the telecommunications services offered by the District in accordance with, and to purposes permitted by the Resolution;
- Sixth, to payment to the District to pay principal and interest, if any, due on other subordinated debt that may be issued by the District; and
- Seventh, to payment to the District to pay the direct compensation due the management company under the Operating Agreement. See APPENDIX E – “Form of the Operating Agreement and Assignment from ValleyNet to GWI Vermont” for information regarding the Operating Agreement including terms of compensation.

Before applying moneys in the Revenue Fund in any month for any purpose having a lower priority as provided in the immediately preceding paragraph, the District shall provide for all payments having a higher priority to be made within such month. Before applying moneys in the Revenue Fund for any purpose having lower priority than Operating Expenses as provided in the immediately preceding paragraph, the District may reserve sufficient moneys, together with reasonably expected Revenues, to meet estimated Operating Expenses for a reasonable period not to exceed six months.

All moneys held by the District in the Revenue Fund shall, until otherwise invested or applied as provided in the Resolution, be deposited by the District in its own name, for the account of the Revenue Fund with the Trustee. Monthly, the Trustee shall deduct all amounts to be paid to the Debt Service Fund, the Debt Service Reserve Fund, the Rebate Fund, Redemption Fund and the Reserve and Contingency Fund from the Revenue Fund.

All remaining amounts shall be promptly transferred to the District and deposited in such depository or depositories as the District shall at any time or from time to time appoint for the purpose. Any depository so appointed shall be a bank or trust company within or outside of Vermont eligible to receive deposits of public moneys and which is a member of the Federal Deposit Insurance Corporation and has a capital and surplus not less than ten million dollars (\$10,000,000).

Additional Indebtedness: Subordinate Bonds and Notes and Other Indebtedness

The Series 2023A Bonds are Bonds to be issued under the Resolution. Any Additional Bonds, Notes or other Indebtedness to be issued may be on a parity with (but not senior to) the Series 2023A Bonds provided the District can demonstrate in a certificate filed with the Trustee that the District's Operating Earnings for the prior fiscal year exceeds by 125% the annual debt service due in the District's next fiscal year on (1) the Outstanding Bonds, (2) all other outstanding parity indebtedness, and (3) the Additional Bonds to be issued. For purposes of this test, Operating Earnings may include pro forma annual Operating Earnings reasonably anticipated to be earned as a result of completion of a Project expansion or extension financed with the proceeds of Additional Bonds.

"Operating Earnings" in the Resolution means Revenues less Operating Expenses. The Resolution defines "Operating Expenses" as the ordinary costs and expenses of the District for the operation, maintenance and repair of the Network, except capital expenditures, interest, income taxes, depreciation, amortization and direct compensation due the management company under the Operating Agreement.

Nothing in the Resolution shall prohibit the District from issuing bonds, notes or other evidences of Indebtedness payable from the Revenue Fund and the Revenues for any of its corporate purposes, subordinate to the deposits and credits required to be made from the Revenue Fund to other Funds and Accounts under the Resolution and to the payments required for Operating Expenses, and may secure the bonds, notes or other evidences of Indebtedness by a pledge of the Revenues subordinate and inferior to the pledge of the Revenues created by the Resolution. The proceeds of the subordinate obligations may be pledged as security for the subordinate obligations free and clear of the lien of the Resolution.

In the Resolution, the District expressly reserves the right to adopt one or more other general bond resolutions and reserves the right to issue other obligations so long as the same are not a charge or lien on the Revenues and other moneys or securities pledged under the Resolution.

Under the Resolution, the District may also establish lines of credit secured by subordinated liens upon Revenues.

No bonds, notes or other evidences of indebtedness may be issued that are senior to the Series 2023A Bonds as to the lien on Revenues.

Coverage Covenants

Under the Resolution, the District is required to meet the following two covenants with respect to Rates and Charges:

(1) The District shall establish, revise, levy and collect Revenues at least sufficient to meet the Operating Expenses of the District, an amount equal to 125% of the current Fiscal Year's interest and principal payments, including payments into sinking funds for the retirement of principal, and an amount equal to the other requirements of any trust agreement or resolution securing bonds or notes of the District, including the Bonds and the Resolution.

(2) Without limiting the generality of the foregoing, the District shall establish and collect rates and charges, whether or not the construction of the Network is completed, operable or operating and notwithstanding the suspension, interruption, interference, reduction or curtailment of the output of the Network, which will provide the District with Revenues sufficient to pay:

- (a) Operating Expenses and all other costs of the proper operation and maintenance of, and repairs, renewals and replacements to, the Network in order to keep the Network in good operating condition and all taxes, assessments or other governmental charges lawfully imposed on the Network or the revenues therefrom, or payments in lieu thereof, payable by the District;
- (b) amounts which the District is obligated to pay to the Trustee for deposit to the Debt Service Fund, the Debt Service Reserve Fund, the Reserve and Contingency Fund and the Rebate Fund, pursuant to the Resolution;
- (c) costs to the District of prevention or correction of any unusual loss or damage and of major repairs, renewals and replacements and of capital additions, betterments, improvements, extensions and decommissioning less that part, if any, of such costs as is provided for from insurance, from amounts available therefor in the Reserve and Contingency Fund and from Additional Bonds issued in accordance with the Resolution; and
- (d) all other charges or obligations against the Revenues of whatever nature and whether now or hereafter imposed by the Resolution or by law or contract.

At December 31, 2022, the District's Debt Service Coverage Ratio (EBITDA plus Interest Income divided by the senior Debt Service, including Interest and Principal) was 1.37, well in excess of its covenant of 1.25 times.

No Free Service; Enforcement of Accounts Owning

Except for promotional purposes and for discounted services furnished to public institutions, and for in-kind compensation, so long as any Bonds are Outstanding, the District will not furnish or supply any commodity, service or facility furnished by or in connection with the Network free of charge to any person, firm or corporation, public or private, and the District will promptly enforce the payment of any and all accounts owing to the District by reason of the Network. See also "MANAGEMENT DISCUSSION AND ANALYSIS" – Completion of the Network" herein.

Annual Budget

The District shall file with the Trustee and make available on the District's website a preliminary annual operating budget within 30 days of its approval in conformance with the Act. The District may at any time adopt and file with the Trustee an amended or supplemental operating budget for the Fiscal Year then in progress. The budget shall show projected Operating Expenses, Debt Service and other payments from the Revenue Fund and the Revenues to be available to pay the same. If the District incurs aggregate Operating Expenses in any Fiscal Year in excess of the aggregate amount shown in the annual budget as amended and supplemented then the District shall promptly file a written report of any such excess expenditure with the Trustee and make such report available on the District's website.

Debt Service Reserve Fund

The Resolution establishes a Debt Service Reserve Fund Requirement limited to, as of any date of calculation, an amount equal to the sum of the amounts determined at the time of issue of each Series of Bonds issued under the Resolution (but only including the Series of Bonds Outstanding at the time of calculation) as the lesser of (i) maximum annual Debt Service on Outstanding Bonds during the then current or any future Fiscal Year, (ii) 125% of the average annual Debt Service on Outstanding Bonds, or (iii) 10% of the aggregate proceeds of all Outstanding Bonds upon original issuance thereof, or a lesser amount as established in a Supplemental Resolution. The Supplemental Resolution under which the Series 2023A Bonds will be issued sets a Debt Service Reserve Fund Requirement of \$275,000.00 to be initially capitalized from Series 2023A Bond proceeds. See "ESTIMATED SOURCES OF FUNDS AND USE OF PROCEEDS" herein and APPENDIX B-1 and APPENDIX B-2 – "The General Resolution, as amended" and "Proposed Form of the Supplemental Resolution", respectively.

Moneys in the Debt Service Reserve Fund are available for the payment of principal, redemption price of and interest on all Bonds, excluding the payment of any principal of, interest on or premium if any on any subordinate obligations issued under the Resolution, equally and ratably. Provided no Event of Default has occurred, if on any date when an installment of interest or principal or a sinking fund installment becomes due the amount on deposit in the Debt Service Fund is insufficient to pay such installment of interest or principal or sinking fund installment, the Trustee shall make up the deficiency by transfer from the Debt Service Reserve Fund. If at any time the amount in the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement, the Trustee shall forthwith make up the deficiency from the Reserve and Contingency Fund, and any remaining deficiency shall be made up by six approximately equal monthly transfers by the Trustee from the Revenue Fund. For purposes of determining the amount in the Debt Service Reserve Fund, the fair market value of investments shall be determined as of December 31 in each year or when required in connection with a deposit or transfer (including in connection with the issuance of a Series of Bonds). If the amount in the Debt Service Reserve Fund is greater than the Debt Service Reserve Fund Requirement on June 30 or December 31 of any year or upon the issuance of a Series of Bonds, the excess shall be dealt with in the manner provided for earnings from investment of the Debt Service Reserve Fund or, in the case of an excess upon the issuance of a Series of Bonds, as otherwise provided in the Supplemental Resolution providing for such issuance. If an Event of Default has occurred, the Trustee may, at the direction of the Bondowners, use the balance of the Debt Service Reserve Fund to: preserve the lien on the Revenues and assets of the District, pay counsel, sell or lease the District's assets, insure the District's assets, collect Revenues due from the District's ratepayers, and pay Operating Expenses. See APPENDIX B-1 – "The General Resolution, as amended."

Reserve and Contingency Fund

The Resolution establishes a Reserve and Contingency Fund. The Reserve and Contingency Fund Requirement" means an amount equal to \$50,000 plus \$200 per mile of telecommunications service line in excess of 235 miles. The Reserve and Contingency Fund shall be used to pay, as the District, at its sole discretion determines for (1) necessary renewals, replacements, modifications, capital additions, betterments and extraordinary repairs to the Network, (2) costs of the retirement from service, decommissioning, disposal and termination of the Network, and (3) extraordinary operation and maintenance costs and the costs of preventing or correcting any unusual loss or damage (including major repairs and insurance deductible payments). Any Supplemental Resolution providing for the issuance of a Series of Bonds may provide for a deposit from the proceeds of the Bonds into the Reserve and Contingency Fund. Commencing on the Date of Commercial Operation, the District shall pay from the Revenue Fund into the Reserve and Contingency Fund on or before the sixth business day prior to the end of each month an amount equal to 5% of the amount required to be deposited at that time in the Debt Service Fund pursuant to the Resolution. If on the last day of any Bond Year the amount in the Reserve and Contingency Fund, after deducting any amount committed or obligated for the purposes for which the Reserve and Contingency Fund may be used but not yet paid, is greater than the Reserve and Contingency Fund Requirement, the Trustee, after making any payment required by the Resolution to the Debt Service Reserve Fund, shall pay the excess to the Revenue Fund. If there is a deficiency in the Debt Service Reserve Fund after a transfer is made to the Debt Service Fund, funds shall be transferred from the Reserve and Contingency Fund to make up such deficiency. See APPENDIX B-1 and APPENDIX B-2 – "The General Resolution" and "Proposed Form of the Supplemental Resolution", respectively.

The Reserve and Contingency Fund was initially funded in the amount of \$50,000. As a result of Network miles built, pursuant to the requirements of the Resolution, as of July 15, 2023 the required amount of the Reserve and Contingency fund was \$340,000 based on 1,685 lit miles. As of July 15, 2023 the District has \$341,000 on deposit in the Reserve and Contingency Fund. Going forward, the District will continue to add to the Reserve and Contingency Fund based upon lit miles pursuant to the requirements of the Resolution.

Outstanding Leases and Indebtedness

The District also has an interlocal agreement with the Town of West Windsor in exchange for title and perpetual use of approximately 16 miles of fiber optic network in the town of West Windsor. The Town of West Windsor financed the building of this network through a loan in 2015 and the District is reimbursing the Town for repayment of the loan. Such payments by the District to the Town will continue through 2035. The District also has two vehicle loans that are each secured by the vehicle purchased with a balance of \$53,399.72 as of June 15, 2023. Monthly payments of \$2,915.98 are due through September 9, 2023 when one of the loans will be paid off. At that

point monthly payments will decrease to \$2,218.35 per month or \$26,620.20 per year for the outstanding term of the single remaining vehicle loan. Such loans are not included in the estimated debt service requirements below. See also “ESTIMATED DEBT SERVICE REQUIREMENTS.”

Interested Parties

The District sold a portion of the Series 2017A Bonds to individuals who are current or former members of the District Governing Board, GWI Vermont, or ValleyNet staff or Board members, or their immediate family (spouse, sibling, parent, or child), including:

Martin Blumberg, Former District Treasurer
 Daniel Childs, District Treasurer (Town of Brookfield)
 Marda Donner, spouse of District Treasurer
 Irv Thomae, District Board Member (Town of Norwich)
 Stan Williams, Former ValleyNet CFO

ESTIMATED SOURCES OF FUNDS AND USE OF PROCEEDS

The District expects that the proceeds of the Series 2023A Bonds will be used to fund the Debt Service Reserve Fund and to pay certain costs of issuing the Series 2023A Bonds. The District also expects that the proceeds of the Series 2023A Bonds will be used for the following capital projects:

- customer connections to the existing network and network extensions;
- planned construction in the eight new towns in the District that began in 2022 and will be completed by 2025, which will be funded by bond proceeds including the Series 2023 Bond proceeds, grants, surplus funds, and additional bond issuance.

The table below shows the estimated sources and uses for the Series 2023A Bond proceeds.

Sources & Uses of Bond Proceeds

Sources of Funds	
The Bonds	\$ 7,530,000
State Grants	14,483,613
<u>Total Sources of Funds</u>	<u>\$22,013,613</u>
Uses of Funds	
Construction*, Procurement, & Engineering	\$21,483,613
Debt Service Reserve Fund	275,000
Credit Rating	44,500
Issuing Costs	210,500
<u>Total Uses of Funds</u>	<u>\$22,013,613</u>

*Construction is planned to be performed in nine stages (see map below on page 15) at a total cost of approximately \$30 million. Construction not funded by the Series 2023A Bonds, or the current state grant (stage IX, only) is planned to be funded from the District’s free cash flow, and/or additional grants or bonds.

DEBT SERVICE REQUIREMENTS

The following table sets forth debt service on the Series 2023A Bonds in the principal amounts set forth on the inside cover of this Limited Offering Memorandum, as well as debt service on other Indebtedness of the District for each Fiscal Year in which such Series 2023A Bonds will be Outstanding. The District also has two vehicle loans that are each secured by the vehicle purchased with a balance of \$53,399.72 as of June 15, 2023. Monthly payments of \$2,915.98 are due through September 9, 2023 when one of the loans will be paid off. At that point monthly payments will decrease to \$2,218.35 per month or \$26,620.20 per year for the outstanding term of the single remaining vehicle loan. Such loans are not included in the estimated debt service requirements below.

Estimated Debt Service Requirements						
Fiscal Year	Series 2023A Bonds		Outstanding Bonds		West Windsor Lease	Total Debt Service & Rent
	Interest	Principal	Interest	Principal		
2023			\$ 1,522,428	\$ 1,120,000	\$ 4,513	\$ 2,646,941
2024	\$ 522,002		2,994,400	1,440,000	9,025	4,965,427
2025	517,688		2,927,294	1,525,000	9,025	4,979,006
2026	517,688		2,856,219	1,620,000	9,025	5,002,931
2027	517,688		2,780,719	1,705,000	9,025	5,012,431
2028	517,688		2,701,219	1,790,000	9,025	5,017,931
2029	517,688		2,615,069	1,885,000	9,025	5,026,781
2030	517,688		2,524,169	1,995,000	9,025	5,045,881
2031	517,688		2,427,869	2,095,000	9,025	5,049,581
2032	517,688		2,321,281	2,295,000	9,025	5,142,994
2033	517,688		2,197,744	2,405,000	9,025	5,129,456
2034	517,688		2,068,131	2,515,000	9,025	5,109,844
2035	517,688		1,932,381	2,645,000	9,025	5,104,094
2036	517,688		1,789,469	2,780,000		5,087,156
2037	517,688		1,640,850	2,910,000		5,068,538
2038	517,688		1,485,669	3,065,000		5,068,356
2039	517,688		1,321,969	3,420,000		5,259,656
2040	517,688		1,139,013	3,390,000		5,046,700
2041	517,688		954,450	3,645,000		5,117,138
2042	517,688		782,155	3,815,000		5,114,843
2043	517,688		601,780	3,915,000		5,034,468
2044	517,688	\$ 1,500,000	413,425	2,635,000		5,066,113
2045	414,563	3,000,000	292,225	1,130,000		4,836,788
2046	208,313	3,030,000	238,625	1,185,000		4,661,938
2047			182,400	1,235,000		1,417,400
2048	-		123,800	1,295,000		1,418,800
2049			62,325	680,000		742,325
2050			31,725	705,000		736,725
Total	\$11,498,627	\$ 7,530,000	\$44,928,801	\$60,840,000	\$112,813	\$122,910,240

The Series 2023A Bonds are part of the planned incurrence of Indebtedness required to complete the Network. The completion of the full Network and the incurrence of such additional Indebtedness is subject to the District successfully connecting additional customers to produce sufficient Operating Earnings to adequately cover

the additional debt service. The five-year forecast incorporates various assumptions, including assumptions as to penetration rates, revenues, expenses, interest rates on indebtedness and investments, refinancing of existing debt, inflation rates and the size and timing of capital expenditures. Under the terms of the Resolution, the District may issue subordinate debt without meeting the Additional Bonds parity test. The District may offer subordinate debt in the future.

Network completion by the end of 2025 is estimated to cost up to \$30 million. To fund the total cost, the District has been awarded a total of \$14.5 million in grants from the Vermont Community Broadband Board (VCBB). The first tranche, a \$2.4 million “preconstruction” grant, has already been received. The balance will come from the net proceeds of the Series 2023A Bonds, operating surplus, and additional bond issuance or additional grant funding. See also “MANAGEMENT DISCUSSION AND ANALYSIS – Completion of the Network” and “- Outlook for 2023 and Beyond” herein.

THE DISTRICT

Background

In 2008, twenty-four municipalities in Vermont organized ECF. SEE “INTRODUCTORY STATEMENT – The District” herein. The purpose of ECF was to construct and operate a state-of-the-art telecommunication network (the “Network”) to serve residents and businesses located in the member municipalities. The grass-roots effort that created ECFiber was motivated by the realization that cable operators were never going to build out in the area, characterized by low density population and difficult terrain.

The financial crisis of 2008-2010 prevented ECF from ready capital access, but in January 2011, ECF secured its initial capital financing by issuing tax-exempt Notes to individual investors, many of whom lived within the participating municipalities. Construction of a fiber-to-the-premises (FTTP) network to provide internet and voice-over-internet-protocol (VOIP) telephone services began, with the first customers activated in August 2011.

ECF marketed its services under the ECFiber, ECFiber.net and East-Central Vermont Community Fiber-Optic Network trade names. As used herein ECFiber and the other trade names mean the internet service provider business of the District. Both ECF and the District have always contracted with an experienced internet service provider to run the ECFiber business subject to broad policies established by the board through contractual mechanisms designed to prevent interference with proper business practices. Board members have no control over or responsibility for day to day operations. The District has no employees.

Through 2015, ECF issued notes and other indebtedness (all of which have been repaid), to construct and equip additional Network mileage and connect additional customers. Beginning in 2012 annual audits showed ECFiber was a going concern able to support debt, but the municipal revenue bond market remained inaccessible due to the form of government (an instrumentality of municipalities created by an interlocal contract).

The ECF Governing Board drafted legislation that would enable a change in form, to a special-purpose municipality akin to a water district, called a telecommunications district, and presented it to the state legislature in the autumn of 2014. On June 1, 2015, 30 V.S.A. 82 “Communications Union Districts” became law, and on June 16, 2015, the ECF member towns had completed the work of forming the District, which was recognized by the Vermont Secretary of State. Effective January 1, 2016, the District succeeded to all of the assets and liabilities of ECF pursuant to an Assignment and Assumption Agreement and a Bill of Sale and Assignment.

In April 2016, the District issued its first municipal revenue bonds.

A Communications Union District (CUD) is empowered to operate or contract for construction, ownership, management, and operation of a communications plant and to provide communications services to members. A communications plant includes all parts of a communications system owned by a district including wires, cables, fiber optics, wireless or other technologies used to transport or store information, facilities, and equipment. A district will include all land and residents within the member municipalities and any others subsequently admitted. Once formed, CUDs are municipal entities with a governing board on which each member town exercises a single vote

through one or more appointed representatives, an appointed clerk, and an appointed treasurer. The districts have the authority to purchase, sell, and lease real estate, hire and fix the compensation of employees, and enter into contracts. Under 30 V.S.A. 82 taxpayers are not liable for debts incurred by the districts. A district does not have taxing authority; rather, all necessary revenues must come from charging monthly fees for internet services. Additionally, communications union districts are eligible to receive loans from and incur debt from other entities.

The District is authorized and empowered under 30 V.S.A. 82 to issue the Series 2023A Bonds for the purposes described herein and to adopt the Resolution and other agreements and instruments necessary to issue and secure the Series 2023A Bonds.

Vermont law specifically provides that any losses associated with the construction or operation of a communications plant by the District are not to be borne by any of the municipality's (or municipalities') taxpayers. Payment of amounts due will be made only from available revenues of the District.

PURCHASERS OF SERIES 2023A BONDS SHOULD BE AWARE THAT THIS IS A HIGH-RISK INVESTMENT WITH NO GUARANTEE THAT THE DISTRICT'S BUSINESS PLAN WILL BE REALIZED AS PRESENTED OR THAT PROJECTED RETURNS TO SUCH PURCHASERS CAN BE MET.

Existing Network

At December 31, 2022, the District had 1,585 miles of fiber optic delivering internet services to 7,667 customers. The Network passed over 20,000 residents and businesses resulting in a penetration rate of approximately 38%. Approximately 50% of the customers also purchase VOIP telephone service. At December 31, 2022, the utility plant, net of accumulated depreciation, was \$50,872,241, an increase of 14% over fiscal year 2021. Approximately eight miles of utility plant is leased from the Town of West Windsor for an annual rent of \$9,025 under an inter-local agreement. The West Windsor utility plant was constructed by the District at the expense of West Windsor. The District is obligated to maintain the West Windsor utility plant.

The District elected not to provide television because the additional investment in constructing and equipping a television signal receiving head-end and purchasing programming was not deemed to be commercially viable. The advent of streaming, for which FTTP networks are especially well suited, has proven to be a plus for ECFiber's business. Over-the-air broadcasting has effectively ceased throughout most areas of the District as location stations have sold spectrum rights and decommissioned television towers on Mount Ascutney, in Windsor, Vermont.

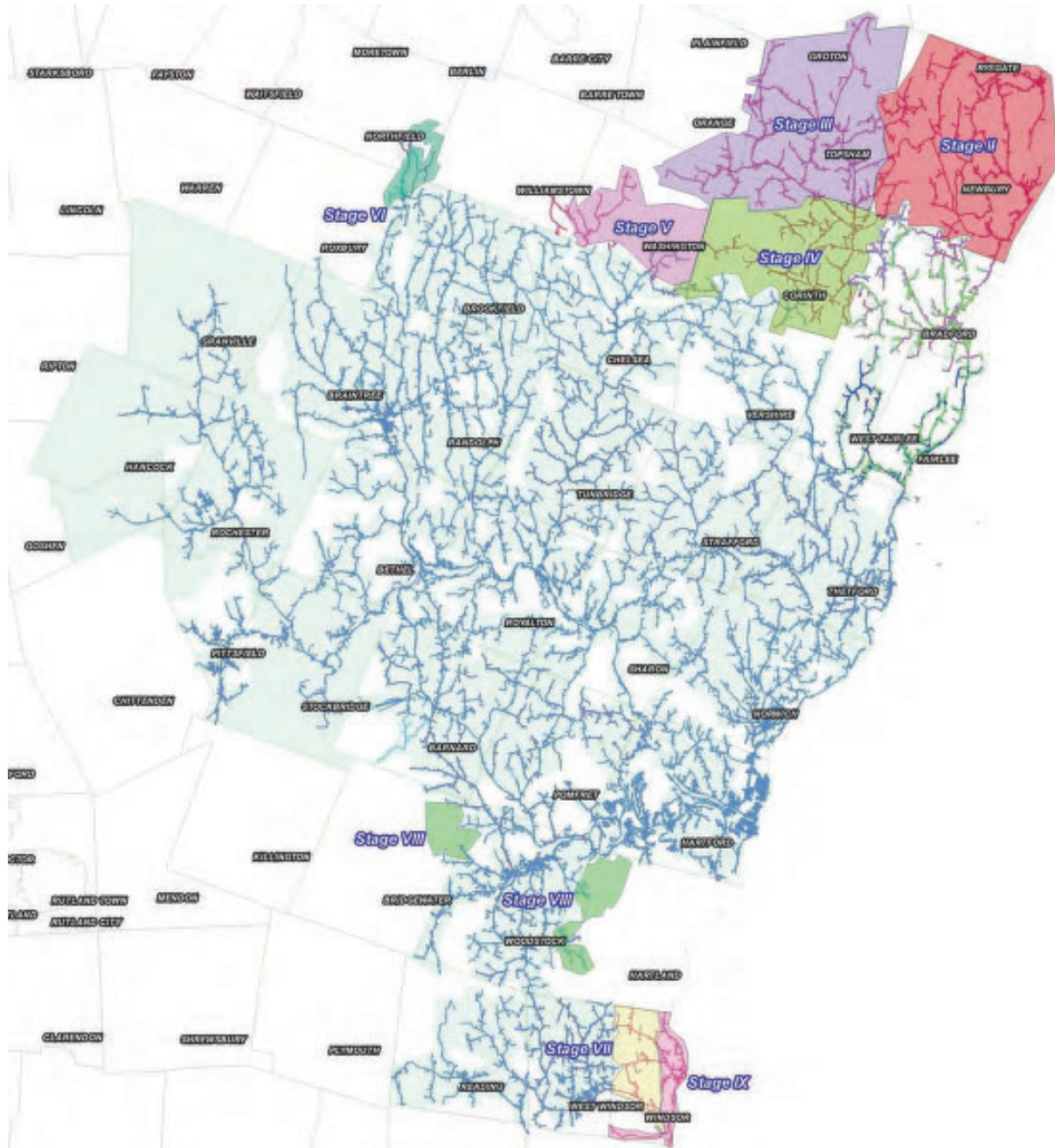
A General Description of the District Service Area

The district is located in the east central part of Vermont between the Connecticut River and the Green Mountains. With the towns of Grafton County, New Hampshire on the eastern side of the Connecticut, the area is referred to as the 'Upper Valley' region of northern New England. Dartmouth College and Medical Center sit in the center of the Upper Valley region.

The member municipalities are Barnard, Bethel, Bradford, Braintree, Brookfield, Chelsea, Corinth, Fairlee, Granville, Hancock, Hartford, Newbury, Norwich, Pittsfield, Pomfret, Randolph, Reading, Rochester, Royalton, Sharon, Strafford, Stockbridge, Thetford, Topsham, Tunbridge, Vershire, Washington, West Fairlee, West Windsor, Windsor, and Woodstock.

The District's mission is to complete the Network and make FTTP available to all homes and businesses on the grid in its 31 member municipalities. This is one of the most rural areas in a rural state. The area is characterized by wooded, mountainous topography with narrow valleys. Below is a map of the towns in the District service area and the status of network construction as of June 30, 2023.

ECFiber Network Status and Planning



Source: The District. <https://map.ecfiber.net/>

Note: General area with light green background: Active network. Some construction may still be underway in the Stage I towns of Bradford, Fairlee and West Fairlee, but customers will be being served and connected. Stages II through IX are indicated with differently colored backgrounds and labeled. All Stages but IX are planned for completion in 2024.

Network Completion Plan

The District's network completion plan consists of nine stages. The Series 2023A Bonds will be used to finance Stage I completely and portions of Stage II, with grant receipts for completing Series Stage I use to finance Stage II and begin stages III and IV, which in turn will be completed with financing from additional grant funds received on the completion of Stage II. The District will use a mix of operating surplus and additional bond issuance as circumstances dictate. The table below provide the estimated: completion date, miles of fiber, number of premises to be passed by fiber, and the underserved and unserved premises.

Town	Target Completion Quarter	Road Miles ¹	Premises	Off Grid	Un-served	Under-served 4/1	Pct Un/Under-served	Cable 25/3 or 100/20	FTTP 100/100	Estimated Total incl contingency
Bradford		75.3	1,366	7	46	295	25%	689	329	\$ 4,710,023
Fairlee ⁴		31.3	788	24	71	66	17%	-	627	\$ 1,250,276
West Fairlee ⁴		28.1	518	35	36	77	22%		370	\$ 1,778,482
Stage I	2023 Q4	134.7	2,672	66	153	438	22%	689	1,326	\$ 7,738,781
Newbury		120.2	1,393		155	672	59%	545	15	\$ 6,801,728
Ryegate		10.2	129		30	92	95%	6		\$ 576,280
Stage II	2024 Q2	130.4	1,522	-	185	764	62%	551	15	\$ 7,378,008
Topsham		80.9	738		244	459	95%	4	30	\$ 4,544,020
Orange		5.4	47		10	32	89%		5	\$ 301,417
Stage III	2024 Q3	86.3	785	-	254	491	95%	4	35	\$ 4,845,437
Corinth ⁴		85.5	942		502	340	89%		100	\$ 4,817,025
Stage IV	2024 Q3									
Washington ^{3,4}		30.0	226		25	169	86%	13	19	\$ 1,676,555
Williamstown		0.3	7			1	14%	4	2	\$ 18,053
Stage V	2024 Q3	30.3	233	-	25	170	84%	17	21	\$ 1,694,608
Northfield		6.0	52			20	38%	32		\$ 323,292
Roxbury ⁴		6.2	116		1	2	3%	44	69	\$ 305,598
Stage VI	2024 Q4	12.2	168	-	1	22	14%	76	69	\$ 628,890
Windsor ⁴ west of 91		25.5	280	-	8	29		221	22	\$ 1,384,534
Stage VII	2024 Q4									
Bridgewater ⁴		8.6	68		9	22	46%		37	\$ 458,740
Hartland ⁴		5.0	81		9	32	51%		38	\$ 347,180
Stage VIII	2024 Q4	13.6	149	-	18	54	48%	-	75	\$ 805,919
Windsor east of 91		24.9	1,405		-	3	0%	1,196	206	\$ 1,129,174
Stage IX	2025 Q4									
Grand Total		543	8,156	66	1,146	2,311	42%	2,754	1,869	\$ 30,422,376

1. Estimated Network miles are based on the sum of Class 1,2, and 3 Roads plus US and VT Highways. Interstates, Class 4, and Private Roads are excluded.

3. Washington is split between ECFiber and CVFiber. The mileage and premises data is based on the CUD Border Layer demarcation and includes only ECFiber served areas.

4. A portion of the ECFiber network is already active in the town.

As of September 30, 2023, the District provides internet and telephone services to approximately 8,600 customers over 1,900 miles of broadband lines. Approximately 1,063 additional residents and businesses have requested services. During the first half of 2023, the District has received approximately 32 new requests for service per week and has connected approximately 27 new customers per week. The District plans to use the net proceeds of the Series 2023A Bonds to extend service to approximately 1,860 additional customers. Currently, the District's broadband fiber network passes an estimated 21,000 premises. The District's current market penetration is about 38%. In Towns where the network was installed between 2016 and 2019, the market penetration is 49% for all premises and 54% for residential premises.

The table below provides an overview of the amount of premises taking service from the District from 2016 to date along with the expected amount of premises to take service from the District annually by 2025.

Market Penetration Rates
(Percentage of Premises Taking Service from the District)

Date Towns Connected to Network	Number of Towns	Total Premises Passed	Residential Only Premises	Total Market Penetration	Residential Only Market Penetration
2016 to 2019	14	9,889	8,919	49%	54%
2020 to 2022	8	9,996	8,837	31%	36%
First Half - 2023	1	4,935	4,347	4%	3%
2024	4	3,920	3,429	N/A	N/A
2025	4	3,907	3,519	N/A	N/A

ECFiber Operations and Services

As ECFiber, the District offers two principal services: Internet connectivity and Voice Over Internet Protocol (VOIP)-based voice phone service that features unlimited long distance calling throughout the U.S. and Canada. It also offers ancillary services such as voicemail, static IP addresses and dark fiber/wholesale connections.

ECFiber is currently operated exclusively by GWI Vermont, LLC ("GWI Vermont"), a Vermont corporation and subsidiary of Biddeford Internet Corporation (doing business as "GWI"). GWI is the nation's first B Corporation Certified internet service provider (ISP). Prior to December 26, 2022, the District was operated exclusively by ValleyNet, Inc. ("ValleyNet"), a nonprofit ISP. The District Board voted to approve ValleyNet's assignment of the Design, Build and Operate contract with the District to GWI after a months-long due diligence effort. All ValleyNet operating staff accepted employment offers from GWI and all of the District's and Lyme Fiber's customers continue to be serviced out of the Royalton, VT office. GWI Vermont is using its tenured knowledge to improve all aspects of the business operations.

The existing operating agreement dates back to 2016, when the District assumed the ECF Holding, LLC assets and liabilities. The agreement and the 2022 assignment are attached in APPENDIX E. The current agreement ends on December 31, 2025 and the District anticipates concluding a new agreement during 2024.

Under the Operating Agreement, GWI Vermont undertakes the development, design, construction, equipping and installation of the Network, and the operation and management of the Network, subject to policy guidelines and operating protocols established by the District. In particular, GWI Vermont employees will be responsible for:

- Managing the design and construction process, including selecting, hiring and overseeing contractors, ensuring performance and certifying completion;
- Maintaining the Network, including the fiber-optic cable and electronic equipment in support thereof;
- Operating the Network;

- Providing retail and wholesale services utilizing the Network, subject to policy guidelines established by the District — including selection and specification of services provided and pricing for service;
- Conducting all marketing, customer service, help desk and customer care functions;
- Conducting all customer billing and collection activities, including selection and oversight of any outsourced billing functions; and
- Providing all required reporting to the District, governmental authorities and the District Treasurer.

The District pays GWI Vermont's actual costs that it incurs for all services provided plus a fee of \$10 per customer per year.

In the opinion of bond counsel, the Operating Agreement is in compliance with the U.S. Treasury regulation for tax-exempt debt issuers on management contracts.

Additionally, GWI Vermont, as successor to ValleyNet, has a contract with LymeFiber LLC in Lyme, NH to design, build and operate a townwide FTTP system which became operational in 2020. The District and Lyme Fiber LLC have a contract which manages an RDOF award the District received for census blocks in Lyme. GWI Vermont is in discussions with several groups of towns in VT and NH to provide similar services. See the caption "Governance of the District and GWI Vermont" below for more information regarding GWI Vermont.

ValleyNet, on behalf of the District, executed a lease for the Network Operating Center ("NOC"), which occupies a facility located at 415 Waterman Road, South Royalton, VT 05068 adjacent to Interstate 89 Exit 3. ValleyNet assigned the lease to the District upon assumption of the Operating Agreement by GWI Vermont. This lease provides a right of first refusal for the District to purchase the facility should the owner receive an offer from a person interested in purchasing the facility. The District may also offer to purchase the facility. At this time, the District believes that the amount of space it currently leases is sufficient for the equipment and staffing levels of its operations.

ECFiber offers internet and VOIP telephone services via a network based on the latest Gigabit Passive Optical Network (GPON) technology, which is capable of providing symmetrical speeds up to 10 Gigabits per second. Presently the White River Junction and Quechee network hubs have 10G equipment, the rest 1G. All new hubs will be 10G and the 1G hubs will be upgraded to 10G over time.

Below is a table showing ECFiber's current service tiers and monthly rates. One time charges for installation are \$30 per phone line, \$99 residential internet, \$150 business internet. The District capitalizes the street-to-premises "drop" cost for aerial installations. All underground drop cost is the responsibility of the customer. Customers are charged \$1 per foot for fiber drops in excess of 400 feet, whether aerial or underground.

Current Service Offerings and Rates				
	Residential Service		Business Service	
	Per Month		Per Month	
	Mbps	Price	Mbps	Price
Basic	75	\$72	75	\$90
Standard	300	\$104	300	\$124
Ultra	not offered		500	\$159
Wicked	1000	\$134	1000	\$250
Phone Lines*		\$25		\$35
Static IP Address	not offered			\$7
*per line, plus applicable taxes, fees, and international calls				

The District made its only rate increase in February 2020, when rates for the standard internet service were increased approximately 5% for residential service and 13.7% for business service. This was coupled with a speed increase from 50 Mbps to 100Mbps. Phone service rates were increased \$5 per month for both residential and

business service. In a significant exercise of community control, basic service speed was increased to 50 mbps while the monthly service charge was reduced to \$72.

In 2022, GWI reconfigured ECFiber's backhaul and transport network, and the service offerings were reconfigured as shown above, resulting in faster speeds for all customers with no rate increase. Multigigabit service tiers and pricing will be announced later this year.

Below is a table showing the history of customers added, disconnected and the resulting churn rate experience of ECFiber:

Premises Connections & Disconnections							
Year	Cus tomers			Net Premises Dis connected		Churn Rate Based on Avg Cus tomers	
	Beginning	End	Net	Cumulative	Per period	Monthly	Annualized
2011	-	126	126	0	0	0.00%	0.00%
2012	126	298	172	-9	-9	-0.35%	-4.25%
2013	298	552	254	-13	-4	-0.08%	-0.94%
2014	552	947	395	-41	-28	-0.31%	-3.74%
2015	947	1,201	254	-40	1	0.01%	0.09%
2016	1,201	1,589	388	-37	3	0.02%	0.22%
2017	1,589	2,282	693	-43	-6	-0.03%	-0.31%
2018	2,282	3,215	933	-114	-71	-0.22%	-2.58%
2019	3,215	4,239	1,024	-192	-78	-0.17%	-2.09%
2020	4,239	5,584	1,345	-244	-52	-0.09%	-1.06%
2021	5,584	6,790	1,206	-300	-56	-0.08%	-0.91%
2022	6,790	7,667	877	-429	-129	-0.15%	-1.78%
2023Q2	7,667	7,787	120	-490	-61	-0.13%	-0.79%
All Time	-	7,787	7,787	-490	-490	-0.08%	-1.01%

ECFiber experiences very few disconnections each year. For those premises which disconnect service due to a move, the new owners or tenants typically subscribe for service within a very short period of time. The very low churn rate is far below industry average. As towns with cable and 5G phone coverage are now part of the active network, a higher churn rate in those towns is expected. The last 3 towns completed and under construction (Woodstock, Norwich and Hartford) are especially competitive compared to the first 20 towns. The remaining 8 towns have profiles more like the original 20, except for Windsor. ECFiber also saw a loss of customers in towns with lower median incomes after COVID subsidies ended.

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District Demographic Information

The 31 member municipalities of the District are located in the upper Connecticut and White River Valleys of East Central Vermont. The 31 member municipalities have a combined current estimated population of approximately 58,968. The local economy of the municipalities is very diverse, and includes agriculture, small-scale manufacturing, tourism, information technology, health and education. A significant portion of the municipalities' population commutes for work either to Montpelier, Vermont, Chittenden County, Vermont or to the Hanover/Lebanon area of New Hampshire. According to the U.S. Bureau of Economic Analysis data for 2022, with quarterly data from 2023,* Vermont ranked 50th in current-dollar gross domestic product in the United States. Median household income in Vermont traditionally has been close to the national average. According to U.S. Census data in 2021 dollars, median household income in Vermont, at \$67,674, was lower than the U.S. as a whole. Based on the most recent data available for the counties with municipalities in the Service Area (U.S. Census figures with 2021 dollars), the average median household income in those counties was approximately equal to the Vermont median. Based on the Vermont Department of Labor Statistics data for September 2023, the unemployment rate (2.0%) for Vermont as a whole was lower than the US Bureau of Labor national rate (3.6% in September 2023). The table below shows comparative demographic data of the four counties in which the 31 municipalities participating in the District are located versus the state of Vermont and the United States.

	Population 2020 Census	Population Estimate July 1 2022	Median Household Income 2021	Housing Units July 1 2022	Median Value of Owner- Occupied Units 2021	Unemployment Rate 2023	Bachelor's Degree or Higher 2021
U.S.	331,449,281	333,287,557	\$69,021	143,786,655	\$244,900	3.6%	33.7%
Vermont	643,077	647,064	\$67,674	339,034	\$240,600	2.0%	40.9%
Addison Co.	37,363	37,578	\$77,978	17,634	\$275,800	1.8%	42.3%
Orange Co.	29,277	29,846	\$67,906	15,064	\$203,300	1.8%	34.2%
Rutland Co.	60,572	60,366	\$59,751	33,996	\$177,400	2.3%	32.1%
Windsor Co.	57,753	58,142	\$63,787	34,841	\$226,300	2.0%	40.2%

Sources: U.S. Census Bureau, U.S. Bureau of Labor Statistics and Vermont Department of Labor. The U.S. Census Bureau data dated for 2022 is a vintage year from the final year of the 2020 through 2022 series, and the data dated for 2021 is as from 2017 through 2021 (last accessed Oct. 26, 2023). The non-adjusted unemployment rates for the U.S., Vermont and Vermont counties are for September 2023.

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* See "SASUMMARY State annual summary statistics: personal income, GDP, consumer spending, price indexes, and employment," U.S. Bureau of Economic Analysis (BEA) (last updated Oct. 4, 2023).

The following table shows 2021 census data on the estimated population, 2021 estimated number of premises, 2023 total road miles, 2020 premises per road mile and 2021 median household income for each of the 31 municipalities in the District.

Town	2021 Population	2021 Premises	2023 Road Miles	Premises Per Mile	2021 Median Household Income
Barnard	1,043	793	66	12.0	\$ 73,621
Bethel	2,007	1,031	83	12.4	65,768
Bradford	2,789	1,335	72	18.5	66,100
Braintree	978	552	51	10.8	66,319
Brookfield	1,383	784	85	9.2	67,212
Chelsea	1,272	676	71	9.5	59,821
Corinth	1,525	814	74	11.0	67,434
Fairlee	1,102	636	35	18.2	53,767
Granville	373	247	29	8.5	51,250
Hancock	479	287	18	15.9	64,449
Hartford	10,604	6,098	175	34.8	61,678
Newbury	2,038	1,267	108	11.7	60,867
Norwich	3,584	1,395	94	14.8	121,509
Pittsfield	440	447	20	22.4	58,382
Pomfret	924	536	64	8.4	86,250
Randolph	4,777	2213	118	18.8	70,000
Reading	568	403	47	8.6	66,500
Rochester	1,250	1,007	68	14.8	62,941
Royalton	2,755	1,414	94	15.0	67,000
Sharon	1,616	671	64	10.5	76,293
Stockbridge	733	555	50	11.1	71,250
Strafford	1,223	708	68	10.4	98,083
Thetford	2,765	1,356	89	15.2	81,750
Topsham	1,051	584	72	8.1	67,557
Tunbridge	1,328	688	79	8.7	68,929
Vershire	727	469	40	11.7	62,333
Washington*	1,086	591	58	10.2	63,417
West Fairlee	762	393	24	16.4	69,821
West Windsor	1,214	860	53	16.2	94,300
Windsor	3,561	1,870	50	37.4	44,761
Woodstock	3,011	2,012	88	22.9	104,716
District Totals	58,968	32,692	2,107	14.6	\$ 70,777
Vermont	645,570	333,519	14,178	23.5	\$ 67,674

Source: U.S. Census Bureau, the Census Reporter, the Vermont Agency of Transportation (total of Class 1, 2, 3 roads plus U.S. and State Highways; excludes Class 4 roads, Interstates, and Private Roads) and the Vermont E9-1-1 GIS data (limited to Primary and Secondary Residential and Business locations).

*Shared with CVFiber; preliminary mapping indicates 26 miles of ECFiber build.

Financial Statements

The District prepares annual financial statements in accordance with generally accepted accounting principles. The audited financial statements as of December 31, 2022 are attached hereto as APPENDIX A. The audited financial statements should be read in their entirety. The District also prepared the unaudited financial information as of the third quarter ended September 30, 2023.

See the table below for a summary of the District's statement of revenues, expenses and changes in net position based upon information from the audited financial statements of the District for years ending December 31, 2018, 2019, 2020, 2021 and 2022 and the unaudited financial information of the District for the third quarter ended September 30, 2023.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION							
	2018	2019	2020	2021	2022	2023	Q3 unaudited
OPERATING REVENUES:							
Service revenue	\$ 3,492,196	\$ 4,662,275	\$ 6,453,297	\$ 8,307,209	\$ 9,697,463	\$ 7,890,278	
Installation and activation revenue	261,144	369,729	560,110	386,527	304,570	141,845	
Grant Income	123,427	101,500	794,594	186,179	409,007	2,617,129	
Miscellaneous income	4,216	3,417	2,892	8,245	26,609	123,020	
Total operating revenue	3,880,983	5,136,921	7,810,893	8,888,160	10,437,649	10,772,272	
OPERATING EXPENSES:							
Direct Costs of Sales	621,306	793,199	1,007,856	1,120,848	1,201,855	952,545	
Labor	752,891	925,015	1,043,978	1,031,540	1,551,025	1,301,165	
Other Operating Expense	501,412	619,512	1,113,838	1,385,601	2,188,286	1,627,078	
Depreciation and amortization expense	606,817	822,373	1,073,065	1,487,664	1,700,362	1,417,518	
Total operating expense	2,482,426	3,160,099	4,238,737	5,025,653	6,641,528	5,298,306	
(excl depreciation)	1,875,609	2,337,726	3,165,672	3,537,989	4,941,166	3,880,788	
Operating income (loss)	1,398,557	1,976,822	3,572,157	3,862,507	3,796,121	5,473,966	
Recurring Gross Margin	2,870,890	3,869,076	5,445,441	7,186,361	8,495,608	6,937,733	
as % of svc revenue	82%	83%	84%	87%	88%	88%	
EBITDA	2,005,374	2,799,195	4,645,222	5,350,171	5,496,483	6,891,484	
EBITDA excl Grants/Other	1,877,731	2,694,278	3,847,736	5,155,747	5,060,867	4,151,335	
as % of svc/install revenue	50%	54%	55%	59%	51%	52%	
Recurring EBITDA	1,616,587	2,324,549	3,287,625	4,769,220	4,756,297	4,009,490	
as % of svc revenue	46%	50%	51%	57%	49%	51%	
NON OPERATING INCOME(EXPENSE):							
Interest income	108,874	147,415	45,524	1,851	125,107	265,050	
Interest expense	(1,466,819)	(1,769,166)	(2,289,345)	(2,691,314)	(3,112,431)	(2,287,148)	
bond origination fees	(237,753)	(182,518)	(197,687)	(157,622)	0	0	
original issue discount	(37,350)	(37,350)	(37,350)	(37,350)	0	0	
amortization, note prepayment premium	(122,035)	(122,035)	(122,035)	(121,469)	(82,882)	(47,636)	
Increase(decrease) in fund net position	(356,526)	13,168	971,264	856,603	725,915	3,404,232	
Fund net position, beginning of period	(3,372,562)	(3,729,088)	(3,715,920)	(2,744,656)	(1,441,253)	(715,338)	
Prior Period Adjustment				446,800			
Fund net position, end of period	(3,729,088)	(3,715,920)	(2,744,656)	(1,441,253)	(715,338)	2,688,894	
change	(356,526)	13,168	971,264	1,303,403	725,915	3,404,232	

See the table below for the District's balance sheet based upon information from the audited financial statements of the District for years ending December 31, 2018, 2019, 2020, 2021 and 2022 and the unaudited financial information of the District for the third quarter ended September 30, 2023.

BALANCE SHEET							
		2018	2019	2020	2021	2022	2023
CURRENT ASSETS							Q3 unaudited
	Cash	\$ 8,970,610	\$ 12,507,010	\$ 14,874,413	\$ 15,584,610	\$ 11,206,253	\$ 9,801,070
	Accounts Receivable, net of allowance	111,373	146,483	147,253	110,978	43,370	26,122
	Other receivable	0	0	0	0	0	92,395
	Accounts Receivable, grants	0	0	764,594	0	21,397	6,879
	TOTAL CURRENT ASSETS	9,081,983	12,653,493	15,786,260	15,695,588	11,271,020	9,926,466
LOSS ON REFUNDED DEBT - net of amortization		933,965	811,931	689,896	568,427	485,545	437,909
PROPERTY AND EQUIPMENT							
	Gross	21,743,517	29,315,120	42,250,953	50,364,088	58,263,378	63,168,965
	Accumulated Depreciation	(2,317,945)	(3,140,319)	(4,213,384)	(5,690,775)	(7,391,137)	(8,808,655)
	Net	19,425,572	26,174,801	38,037,569	44,673,313	50,872,241	54,360,310
	TOTAL ASSETS	29,441,520	39,640,225	54,513,725	60,937,328	62,628,806	64,724,685
CURRENT LIABILITIES							
	Bonds Payable, Current	195,000	460,000	775,000	1,035,000	1,120,000	1,120,000
	Notes payable to investors, current	700	0	0	0	0	0
	Loans payable, current	69,035	76,184	63,886	56,374	37,277	30,000
	Accrued liabilities	88,216	0	0	0	0	59,556
	Due to (From) ValleyNet, Inc.	1,435	243,946	(146,289)	(415,193)	(85,083)	(397,497)
	Accounts payable	406,746	677,501	3,407,984	0	1,460,591	381,663
	Accrued interest	146,797	146,148	244,341	224,036	253,738	1,014,952
	Deferred Grant Revenue	0	0	0	467,925	710,457	0
	TOTAL CURRENT LIABILITIES	907,929	1,603,779	4,344,922	1,368,142	3,496,980	2,208,674
LONG TERM LIABILITIES							
	Notes payable to investors, less current portion	3,617	0	0	0	0	0
	Bonds payable, Less current portion	32,110,000	41,650,000	52,875,000	60,840,000	59,720,000	59,720,000
	Accrued expenses	0	0	0	0	0	0
	Loans payable, less current portion	149,062	102,366	38,460	170,440	127,165	107,118
	Deferred Compensation	0	0	0	0	0	0
	Contingent Liabilities	0	0	0	0	0	0
	TOTAL LONG TERM LIABILITIES	32,262,679	41,752,366	52,913,460	61,010,440	59,847,165	59,827,118
FUND NET POSITION							
	Invested in capital assets	19,425,572	26,174,801	38,037,569	44,673,313	50,872,241	54,360,310
	Unrestricted deficit	(23,154,660)	(29,890,721)	(40,782,226)	(46,114,567)	(51,587,580)	(51,671,417)
	TOTAL FUND NET POSITION	(3,729,088)	(3,715,920)	(2,744,657)	(1,441,254)	(715,339)	2,688,893
	TOTAL LIAB. & FUND NET POSITION	29,441,520	39,640,225	54,513,725	60,937,328	62,628,806	64,724,685

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See the table below for the District's Statement of Cash Flows based upon information from the audited financial statements of the District for years ending December 31, 2018, 2019, 2020, 2021 and 2022 and the unaudited financial information of the District for the third quarter ended September 30, 2023.

STATEMENT OF CASH FLOWS							
	2018	2019	2020	2021	2022	2023	
CASH FLOWS FROM OPERATING ACTIVITIES							Q3 unaudited
Cash received from customers	4,050,509	5,223,844	7,167,565	9,810,499	10,566,742	10,211,725	
Cash paid to suppliers and subcontractors	(1,889,899)	(2,277,221)	(557,225)	(6,208,225)	(3,320,926)	(5,110,699)	
NET CASH USED IN OPERATING	2,160,610	2,946,623	6,610,340	3,602,274	7,245,816	5,101,026	
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest income	108,874	147,415	45,524	1,851	125,107	265,050	
Payment of loan origination fees	(275,103)	(219,868)	(235,037)	(194,972)	0	0	
Purchase of property and equipment	(7,469,676)	(7,571,603)	(12,935,833)	(8,113,135)	(7,899,290)	(4,905,587)	
NET CASH USED IN INVESTING	(7,635,905)	(7,644,056)	(13,125,346)	(8,306,256)	(7,774,183)	(4,640,537)	
CASH FLOWS FROM FINANCING ACTIVITIES							
Interest paid	(1,427,922)	(1,769,815)	(2,191,152)	(2,711,619)	(3,082,729)	(1,525,934)	
Repayment on long-term debt	(43,409)	(265,876)	(536,204)	(858,334)	(1,097,371)	(27,324)	
Increase in bond payable	8,500,000	10,000,000	12,000,000	9,000,000	0	0	
Increase in loss on refunded debt	0	0	0	0	0	0	
Decrease in notes payable to investors	(779)	(4,317)	0	0	0	0	
Decr. (Increase) in due to ValleyNet, Inc.	338,220	242,511	(390,235)	311,400	330,110	(312,414)	
NET CASH PROVIDED BY FINANCING	7,366,110	8,202,503	8,882,409	5,741,447	(3,849,990)	(1,865,672)	
NET INCREASE (DECREASE) IN CASH	1,890,815	3,505,070	2,367,403	1,037,465	(4,378,357)	(1,405,183)	
CASH, BEGINNING OF YEAR/PERIOD	7,079,795	8,970,610	12,475,680	14,843,083	15,880,548	11,502,191	
CASH, END OF YEAR/PERIOD	8,970,610	12,475,680	14,843,083	15,880,548	11,502,191	10,097,008	
RECONCILIATION OF EXCESS EXPENSES OVER REVENUES							
TO NET CASH USED IN OPERATING ACTIVITIES							
Operating (loss) / income	1,398,557	1,976,822	3,572,156	3,862,507	3,796,121	5,473,966	
Adjustments to reconcile decrease in fund net position to net cash used in operating activities:							
Depreciation and amortization	606,816	822,373	1,073,065	1,487,664	1,700,362	1,417,518	
(Increase) decrease in accts receivable	47,490	(35,111)	(769)	36,275	67,608	17,248	
(Increase) decrease in accts rec, grant	0	0	(764,594)	764,594	(21,397)	(6,879)	
(increase) decrease in other receivables	0	0	0	0	0	(70,998)	
(Increase) decrease in Deferred Grant Revenue	0	0	0	467,925	242,532	(710,457)	
Increase (decrease) in accts payable	203,747	270,755	2,730,482	(3,016,691)	1,460,590	(1,019,372)	
Increase (decrease) in accrued expenses	0	0	0	0	0	0	
retained earnings adjustment	0	0	0	0	0	0	
Increase (decrease) in deferred comp	(96,000)	(88,216)	0	0	0	0	
Increase (decrease) in contingent liabilities	0	0	0	0	0	0	
NET CASH USED IN OPERATING ACTIVITIES	2,160,610	2,946,623	6,610,340	3,602,274	7,245,816	5,101,026	

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Governance of the District and GWI Vermont

The District is authorized and empowered under the laws of Vermont, including 30 V.S.A. 82, to issue the Series 2023A Bonds for the purposes described herein and to adopt the Resolution and other agreements and instruments necessary to issue and secure the Series 2023A Bonds.

ALL OBLIGATIONS OF THE DISTRICT ARE SOLELY THE OBLIGATION OF THE DISTRICT AND NOT OF ANY OF THE MUNICIPALITIES. THE MUNICIPALITIES' TAX BASE IS NOT SUBJECT TO ANY CLAIM ARISING FROM ANY INDEBTEDNESS OF THE DISTRICT. INVESTORS WILL HAVE NO RECOURSE TO ANY MUNICIPALITY FOR ANY FAILURE TO PAY INTEREST ON THE BONDS OR FOR ANY OTHER REASON.

THE SERIES 2023A BONDS SHALL BE SPECIAL OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM AND SECURED SOLELY BY THE REVENUES OR MONEY AND SECURITIES OF THE DISTRICT, INCLUDING PAYMENTS TO THE TRUSTEE BY THE DISTRICT IN ACCORDANCE WITH THE PROVISIONS OF THE RESOLUTION. NEITHER THE STATE OF VERMONT NOR ANY POLITICAL SUBDIVISION THEREOF SHALL BE OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON ANY SERIES 2023A BOND, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF VERMONT OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO SUCH PAYMENT. THE DISTRICT HAS NO TAXING POWER.

The District Governing Board

Elected Officers

F. X. FLINN, Chair, is the delegate from the Town of Hartford, a role he has filled since 2012. He helped establish and served as first President of the Vermont CUD Association, and is now Secretary/Treasurer. He is also a founding board member of Equal Access to Broadband, Inc., a 501(c)(3) non-profit corporation devoted to connecting qualifying households to subsidized broadband services. He holds a B.S. in Industrial and Labor Relations from Cornell University. Mr. Flinn spent a decade in mass market publishing and served five years as Managing Editor for Hardcover and Trade Paperbacks at Bantam, and then transitioned to information technology services in the late 1980s. His consulting firm, Expert Systems Development Corp, was established in 1990 and counts among its customers Harley Davidson, Siemens-Westinghouse, Narragansett Bay Insurance Co and scores of smaller firms. He has served Hartford for nearly 20 years as a Justice of the Peace or member of the Selectboard. Mr. Flinn played a key role in the development of fantasy sports and served on the Board of Directors of the Society for American Baseball Research as Treasurer from 2001-2021. A supporter of ECFiber from Town Meeting Day 2008, he became an ECFiber customer on February 17, 2023.

CHRIS D. NOBLE, Vice Chair, is the delegate from the Town of Royalton. A retired Navy Captain, Capt. Noble's 35 years of distinguished service included command of the 7th Fleet's command ship, the USS Coronado, a destroyer and a minesweeper. Ashore, Capt. Noble saw multiple combat tours in Iraq, where he was awarded a Bronze Star, the last of which saw him serve as the senior US advisor to the Iraqi Chief of Defense. For seven years he served as a senior member of the Pentagon planning staff, as a program and budget analyst, and as Chief of Staff for Navy Manpower. Capt. Noble grew up in equatorial East Africa, the son of a cultural anthropologist. He has a Masters Degree in Systems Engineering from the Naval Postgraduate School, and is fluent in several languages. After retiring to Vermont to pursue bee-keeping, he has lent his considerable talents to the Town of Royalton Selectboard, which he currently chairs, and to the District as chair of the Finance and Audit Committee.

Appointed Officers (appointed by the Governing Board)

DANIEL CHILDS, District Treasurer, was previously a delegate from the town of Brookfield. He has an AB in International Relations from Brown University and a JD from Villanova Law School. From 1982 until 2005 he practiced law in Philadelphia, PA in the area of civil litigation. In 2007 he moved to Vermont where he produces maple syrup, honey and cider under the name Brookfield Bees. Since 2009 he has been an elected member of the Board of Trustees of the Brookfield Free Public Library serving as its treasurer. He is also on the board of the Brookfield Community Partnership where he also serves as treasurer.

JEFF BRAND, District Clerk, is an alternate for the Town of Hartford. He has spent his career as a technology consultant and software engineer. He uses his expertise to build high performance websites and mobile applications, manage and provision VoIP infrastructure, design and implement secure network architecture, and serve as system administrator for a mid-sized web hosting provider. Ten years ago he moved to Vermont in support of his wife's career and has since established roots in the community, volunteering as webmaster for a number of area organizations. He graduated from the Rochester Institute of Technology with a degree in Information Technology.

GOVERNING BOARD. Each participating town has a seat on the District's Governing Board, appointed by the Selectboards of each town. Additionally, the Selectboards appoint one or two alternate delegates. Delegates and alternates are considered members of the Governing Board, but each town has one vote.

Barnard Daniel Leavitt	Chelsea Jonathan Maier	Hartford F. X. Flinn	Randolph Jerry Ward	Stockbridge Joshua Trudeau	Vershire Nate Thames
Bethel Matthew Washburn	Corinth Ed Childs	Newbury Liane Allen	Reading John Malcolm	Strafford Stephen Willbanks	Washington Erika Butler
Bradford Steven Williams	Fairlee Dennis Lambert	Norwich Irv Thomae	Rochester John White	Thetford Jim Masland	West Fairlee Stephen Atwood
Braintree Joshua Ferris	Granville Richard Poole	Pittsfield Elizabeth Warner	Royalton Chris Noble	Topsham Rob Rinaldi	West Windsor Ken Parrot
Brookfield Dan O'Brien	Hancock Scott Gillette	Pomfret Alan Graham	Sharon Dave Karon	Tunbridge Henry Swayze	Windsor Michael Rice
					Woodstock David Brown

GWI Vermont Governance

GWI Vermont, LLC is a recently formed Vermont LLC. GWI Vermont is a subsidiary of the Biddeford Internet Corporation, d/b/a GWI, a Maine Benefit Corporation located in Biddeford, ME. GWI has served phone and internet companies for nearly 30 years across Maine and Vermont.

GWI Vermont Management Team

GWI Vermont board members and staff have substantial experience in building and operating telecommunications networks from start-up to fully operational status.

TOM CECERE, General Manager: Mr. Cecere joined ValleyNet in May of 2021, after an Operations consulting engagement that started in February 2021. Mr. Cecere is a 40 year veteran of several software companies, including Tally Systems, which he helped found and grew to over 300 employees. After graduation from MIT (S.B., Math & Economics) and Dartmouth College (MS, Computer & Information Systems) Mr. Cecere has held

marketing, operations and technical leadership positions over his career. His most recent position was President & CTO at Athenium Analytics (2015-21), an artificial intelligence vendor based in NH, after a 3-year stint at Middlebury Interactive Languages as COO. Mr. Cecere has been Chair of the Strafford, VT School board and serves as an advisor for several startup companies in the Upper Valley and Washington D.C. area. Mr. Cecere has been a happy ECFiber customer for several years at his house in rural Strafford.

DANNIELLE MUMMA, Director of Operations: Ms. Mumma joined ValleyNet in January of 2014, and is responsible for managing design contractors, build contractors and the in- house outside plant crews of GWI Vermont's fiber-to-the-premises internet services on behalf of its clients, including ECFiber and LymeFiber. Prior to joining ValleyNet Dannielle was an Outside Plant Engineer at Matrix, who was the build and design company for ValleyNet/ECFiber from 2011-2014. While at Matrix, Dannielle was responsible for utility surveys, contractors, design quality control and the Matrix in-house crews. Dannielle has been in the industry off and on for over 20 years, only to taking a break to pursue her education. She has BA in Forensic Psychology and Economics with a minor in Business.

COREY KLINCK, Network Operations and IT Manager: Mr. Klinck began employment with the District in 2011. Initially hired as an installation technician, his proficiency in network administration quickly lead to a position as Assistant Network Operations Manager. While employed at ValleyNet, Mr. Klinck completed a course in Cisco networking equipment, at Community College of Vermont, at the top of his class. Following the departure of the District's former Chief Technical Officer, Mr. Klinck was selected as a replacement based on prior performance and complete knowledge of the existing District network. As its Chief Technical Officer, Mr. Klinck is responsible for design, engineering and operation of network systems and the Network Operating Center of the District (including the voice switch partition), evaluation and selection of equipment and software, negotiation with vendors, assistance with customer provisioning.

CLIFFORD A. RANKIN, CPA, MST, Director of Finance: Mr. Rankin is a certified public accountant with over 25 years of experience in public accounting, assisting a variety of business clients with their accounting and tax needs. He has a background in manufacturing prior to earning his BS in Accounting in 1992 and has also earned a Masters of Science in Taxation in 1998. Cliff has also served as Director of Finance for two Vermont municipalities prior to joining ValleyNet Inc. in 2021, where he has lent his financial and accounting expertise to ECFiber.

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MANAGEMENT DISCUSSION AND ANALYSIS

PURCHASERS OF SERIES 2023A BONDS SHOULD BE AWARE THAT THIS IS A HIGH-RISK INVESTMENT WITH NO GUARANTEE THAT THE DISTRICT'S BUSINESS PLAN WILL BE REALIZED AS PRESENTED OR THAT PROJECTED RETURNS TO SUCH PURCHASERS CAN BE MET.

Completion of the Network

The District added 8 new towns in 2020, with over 500 miles of required plant and extended ECFiber's build plans for bringing its services to all on-grid premises in member towns to the end of 2025. The District expects to receive grants that will cover about half this cost through the federal ARPA and BEAD programs.

The District added 86 lit miles to end 2022 with 1,585 lit miles. This was less than the budget goal of 1,784. Factors working against ECFiber network construction in 2022 were (a) lack of skilled labor available to construction subcontractors (b) delays caused by the integration of early-build portions of the Network with new construction in the towns of Chelsea, Royalton, Norwich, and Woodstock (c) unplanned move of the Norwich operating center and (d) delay in obtaining necessary permits from the railroads and state transportation agency. The effect on customer growth was evident; only 877 customers were added instead of the budgeted 1,245.

Cumulative capex per lit fiber mile was higher at \$36,759 per mile and cumulative capex per customer was \$7,599. The District expects capital costs per mile to be higher over the next several years due to a national and regional surge in fiber to the premises ("FTTP") projects funded by federal and state grants. The network completion estimates amount to \$56K per mile, largely because the construction estimates include a 20% contingency.

On June 27, 2023 the District celebrated lighting the White River Junction hub, the last portion of the original 23 town network to be activated. The ceremony, attended by over 200 civic leaders, original ECFiber investors, and state and federal officials included a keynote address by Senator Peter Welch, a longtime ECFiber customer. Television and other media coverage was extensive. Together with the penultimate hub, in Quechee, this added over 160 miles, and over 4,000 locations, many of them multi-dwelling premises, to the Network.

The nine-stage network completion plan will bring more than 7,500 locations into the count of network passings by the end of 2025.

State Grants

The VCBB has awarded the District \$14,483,613, to extend its Network into the Towns in the northern portion of the District that are not yet served by the District. The District has received \$2,365,102 of these funds for planning, designing, and engineering. The District anticipates that the remainder of the grant will be received in 2024. In 2021 and again in 2023, the Vermont state legislature appropriated \$150 million and \$30 million, respectively, to fund the extension of community broadband in the state. In addition, the National Telecommunications and Information Administration gave the state \$84 million for extension of broadband in the state. These funds are administered by the VCBB.

Revenue

Average Revenue per Month per Customer ("ARPU"): Residential ARPU decreased from \$108 to \$107 and Business ARPU increased from \$178 to \$188. ARPU includes VOIP telephone service which is taken by approximately 50% of customers.

Recurring service revenues (revenue excluding grants/installations) of \$9.72M were 17% higher than the level a year ago. For the full year 2022, recurring service revenue was below budget by approximately \$582,000 (4% of budget). Installation revenues of \$305,000 were \$35,000 more than budgeted. Grant proceeds were \$5.3M below budget due to timing of work and resulting limits on revenue recognition. Installation and grant revenues will be substantially reduced once network construction is substantially completed in 2025, unless BEAD funding for

digital equity and inclusion can be tapped for underground work and community outreach to households in economic distress in the District.

Approximately \$3 million in preconstruction grant funding is available as costs are incurred, but the \$13 million available in ARPA funds through the state of Vermont will be paid on the completion of work. Projections for 2023 through 2025 are based on estimated payment receipts being received 4 to 6 months after stage completion.

Expenses

The District strives to control its operating expense growth (excluding depreciation) at a rate below its recurring service revenue growth. For 2022, it did not achieve this goal as expenses increased approximately 39% and recurring service revenue increased by approximately 17%. This was primarily related to increased subcontractor costs and increased legal expenses (see Note 8 of Appendix A).

Cost of Goods Sold (i.e., bandwidth and telephone connections purchased to provide the services plus pole rental) in 2022 was 8% higher than in 2021 and was 21% lower than forecast due to fewer miles and less pole rental than budgeted.

Subcontracted Labor Expense increased by 48% and Other Operating Expenses increased by 65%. Labor costs continue to increase in this economy along with costs for utilities and customer accommodations.

EBITDA and Coverage

EBITDA is calculated as gross revenues less all operating expenses excluding depreciation and again increased in 2022 as the District was able to achieve further scale economies in its operations (i.e., it was able to add more customers without increasing its operating expenses proportionally). EBITDA increased 3% to \$5.5M in 2022 vs. a budget of \$10.4M – the \$4.9M variance was primarily due to budgeted grant revenues of \$5.7M that was not all earned during the year due to delays in being able to complete preconstruction work necessary for construction grant application.

Recurring EBITDA (EBITDA without non-recurring revenues such as grants or installations) decreased 0.27% to \$4.76M in 2022 versus a budget of \$4.47M - \$286,000 (6%) higher than budgeted.

The District's Debt Service Coverage Ratio (EBITDA plus Interest Income divided by senior Debt Service incl. Interest and Principal) was 1.37, again well in excess of its target covenant of 1.25 times.

Net Fund Position

At December 31, 2022, the District's Net Fund Position was negative by \$715,339. The District's negative fund balance has declined by \$3,013,750 over the past five years. See the historic balance sheet presentation on page 23, hereof. The District assumed the negative Net Fund Position from ECF Holding, LLC. The accumulated losses are primarily due to depreciation and amortization expenses exceeding net operating income during the initial years of operations and are characteristic of the early years of capital-intensive undertakings of this sort.

Total Addressable Market

At December 31, 2022, the District had passed 22,190 premises with lit fiber and achieved a 36% penetration rate. Based on the best available information, there are currently 32,647 serviceable premises in the 31 member towns. This number counts multi-dwelling units as a single location, and on the other end of the spectrum, some premises, such as accessory buildings, are not likely to become customer locations. Moreover there is significant market and political pressure to develop more housing units in Vermont and unit growth of 2% is projected in 2026-2027.

The 14 towns completed before 2018 have 48% of locations (and 54% of single family homes) taking service. Several individual towns exceed 70% residential take rate. Town by town projections of customers at maturity based on 10 years of experience shows that an overall take rate of 37% in 2027 results in 6 customers per mile and town by town planning indicates an overall 39% take rate is readily achievable and reflected in the KPI table below:

Key Performance Indicators							
	2021	2022	2023	2024	2025	2026	2027
	<i>actual</i>	<i>actual</i>	<i>projected</i>	<i>projected</i>	<i>projected</i>	<i>projected</i>	<i>projected</i>
Customers	6,790	7,667	9,089	10,522	11,569	12,518	13,320
Net new customers per year	1,206	877	1,422	1,433	1,047	949	802
Sign ups per week	28	20	32	34	24	22	18
Activations per week	23	17	27	28	20	18	15
Lit Network Miles	1,499	1,585	1,785	1,985	2,114	2,114	2,114
Capex per Lit Fiber Mile	\$33,598	\$ 36,759	\$ 39,611	\$ 41,255	\$ 41,754	\$ 43,164	\$ 44,503
Passings	18,663	22,190	27,318	31,142	32,647	33,300	33,966
Capex per Passing	\$ 2,699	\$ 2,626	\$ 2,588	\$ 2,630	\$ 2,704	\$ 2,740	\$ 2,770
Customers per Mile	4.5	4.8	5.1	5.3	5.5	5.9	6.3
Capex per Customer	\$ 7,417	\$ 7,599	\$ 7,779	\$ 7,783	\$ 7,630	\$ 7,289	\$ 7,063
Recurring EBITDA Margin	51%	49%	47%	46%	47%	48%	49%
Residential Avg Rev/Mo	\$ 107	\$ 104	\$ 106	\$ 105	\$ 105	\$ 104	\$ 104
Business Avg Rev/Mo	\$ 178	\$ 177	\$ 184	\$ 184	\$ 181	\$ 178	\$ 175
Avg Days Receivable	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Gross Margin % Recurring Rev	86%	88%	87%	87%	88%	89%	89%
Coverage ratio	1.8	1.4	1.5	3.6	1.4	1.5	1.6

Discussion Of Key Performance Indicators

1. Capex (Capital Expenditures) per connected customer is projected to reach stability at \$7,063 per customer in 2027 versus \$6,916 in 2019, when the 14 originally constructed towns had been complete for two full years, the pandemic had not yet begun, and construction in the densest and most cable-penetrated towns had not begun. Capex is expected to peak at \$7,783 in 2024. As market penetration increases, the capital cost to connect an infill-customer is dramatically less since these new customers can be connected for only the cost of the drop (approximately \$1,400 including the line to the premises and on-premises equipment) without additional miles of lit fiber.

2. Capex (Capital Expenditures) per lit fiber mile has increased dramatically during the past 3 years and is anticipated to reach \$44,503 by the end of 2027, in contrast to the \$29,883 mark at the end of 2019. In general, the District has begun to see higher prices for equipment and labor due to a higher volume of FTTP build nationally spurred by private investment and CARES, ARPA, and BEAD funding.

3. Connected customers per mile of installed fiber plant is projected to reach 6.3 by the end of 2027, up from the 4.3 mark of 2019. The gross penetration rate (customers/passings) is expected to rise from 35% in 2019 to 39% in 2027. In the 14 ‘mature’ towns the gross penetration rate is 49%.

4. Customer Accounts Average Days Receivable is an indicator of the ability of the District to realize revenue in a timely manner. High receivables can also be a sign of customer dissatisfaction. Days receivable has been steady at 6.0 since 2021.

5. Customer activations and Subscriber sign ups added per week: Subscribers added are higher than customers added because some of the subscribers live outside the current range of the District’s lit network, there is a lag of several months between subscription and activation, and some sign ups turn out to require expensive underground work the customer is unwilling to pay for. Sign ups (aka ‘leads’) are highly related to new network miles becoming active at this stage of business development.

Leads (sign-ups) by Town as of June 30, 2023

Muni	Leads 6/30/23		Muni	Leads 6/30/23
BARNARD	15		BRADFORD	30
BETHEL	33		FAIRLEE	94
BRAINTREE	16		WEST FAIRLEE	39
BROOKFIELD	24		<i>Under Construction</i>	<i>163</i>
GRANVILLE	6			
HANCOCK	4			
PITTSFIELD	10		CORINTH	7
POMFRET	19		NEWBURY	-
ROCHESTER	17		TOPSHAM	
STOCKBRIDGE	15		WASHINGTON	3
STRAFFORD	10		WINDSOR	
THETFORD	46		<i>Planned</i>	<i>10</i>
VERSHIRE	12			
WEST WINDSOR	20		BRIDGEWATER	2
<i>Mature Towns</i>	<i>247</i>		CHITTENDEN	-
			HARTLAND	-
CHELSEA	29		NORTHFIELD	-
NORWICH	61		ROXBURY	3
RANDOLPH	61		WILLIAMSTOWN	-
READING	12		<i>Border Areas</i>	<i>5</i>
ROYALTON	67			
SHARON	23		Total ECFiber Leads	1,063
TUNBRIDGE	25			
WOODSTOCK	94			
<i>New Growth Towns</i>	<i>372</i>			
22 Town Metrics	619			
HARTFORD	266			
<i>Pre Growth Towns</i>	<i>266</i>			
23 Original Town Metrics	885			

Prior Period Adjustments

In 2022, the District became aware of fraud that occurred at ValleyNet, Inc. that ultimately impacted the carrying value of certain assets and liabilities on the books of the District. The District also required a prior period adjustment to record a note payable to West Windsor Vermont for their portion of the fiber network. The fund net position as of January 1, 2021, was increased by \$446,800 and fund net position for the year ended December 31, 2021, was increased by \$25,783 due to these corrections as follows:

Decrease in property and equipment, net	\$ (470,739)
Decrease in accounts payable	391,295
Decrease in amounts due to ValleyNet, Inc.	628,812
Increase in notes payable	(102,568)
Prior period adjustment	<u>\$ 446,800</u>

Outlook for 2023 and Beyond

The information in this section, including but not limited to the information and data in the tables and charts, and all financial and economic information contains statements that should be considered “forward-looking statements,” meaning they refer to possible future events or conditions. Such statements are generally identifiable by the words such as “plan,” “hope,” “expect,” “estimate,” “project,” “budget” or similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements expressed or implied by such forward-looking statements to differ from such forward-looking statements, and such differences may be material. Neither the District nor GWI Vermont expect or intend to update or revise any forward-looking statements contained herein if or when expectations, or events, conditions, or circumstances on which such statements are based occur or change.

The District’s plan is to work together with GWI Vermont to complete the Network by the end of 2025 using a mix of surplus, grants, and bond proceeds and develop a new operating agreement better suited to the needs of both parties. In addition, as a special-purpose municipality and indeed the inventor of the CUD model, continue to advocate for recognition that the mission it has been pursuing since 2011, to bring broadband to unserved and underserved rural communities, is worthy of more of the federal support than current rules permit.

Operationally, ECFiber plans to continue to focus on the following:

- Continuous improvement in day to day execution of business tasks
- Higher penetration rates through more marketing and sales efforts
- Completing preconstruction work in all new towns, particularly property surveys, and extending survey work to the rest of the District (this will allow for pinpoint marketing to single family residential properties with aerial drops in reverse order of network completion)
- Initiating multi-gig service
- Completing Stage I in 2023 and accessing construction grant funding in early 2024
- Completing Stages II – VII during 2024
- Completing Stages VIII-IX in 2025
- Achieving the goals shown in the KPIs
- Implement additional network redundancy and resilience factors; 100% of customers fed from hubs with two network connections; 100% of hubs with stand-by fail-over electric backup; eliminate all districtwide or multi-town single points of failure;

Financially, the District continues to be on track to generate sufficient positive operating cash flow to cover its 2023 and future debt service requirements. Projections for 2023 and beyond generally extrapolate existing metrics regarding capital expense (build cost per mile and subscriber), revenues (penetration rates and ARPU), and expenses (cost of goods sold, labor, pole rental, other). The District has had substantial experience projecting operating expense and capital expense since the inception of service in August of 2011 and most of these metrics are stable and well-known.

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The following table contains the 2022 actual and the five-year projection based on the District's current metrics, as discussed above.

		2022	2023	2024	2025	2026	2027
		actual	Budget/ projection	projection	projection	projection	projection
Miles of FTTH Broadband Lines		1,585	1,785	1,985	2,114	2,114	2,114
Customers		7,667	9,089	10,522	11,569	12,518	13,320
	<i>per mile</i>	<i>4.8</i>	<i>5.1</i>	<i>5.3</i>	<i>5.5</i>	<i>5.9</i>	<i>6.3</i>
	<i>Penetration</i>	<i>36%</i>	<i>36%</i>	<i>38%</i>	<i>39%</i>	<i>48%</i>	<i>51%</i>
added customers		877	1,422	1,433	1,047	949	802
	<i>ARPU - Residential</i>	<i>\$104.31</i>	<i>\$105.91</i>	<i>\$105.01</i>	<i>\$104.70</i>	<i>\$104.39</i>	<i>\$104.08</i>
	<i>ARPU - Commerical</i>	<i>\$177.03</i>	<i>\$184.28</i>	<i>\$184.00</i>	<i>\$181.00</i>	<i>\$178.00</i>	<i>\$175.00</i>
Revenues							
	Recurring	\$ 9,697,463	\$ 11,099,375	\$ 12,869,952	\$ 14,422,559	\$ 15,646,279	\$ 16,696,946
	Installation	269,863	283,523	316,982	239,339	219,804	190,253
	Grants/Misc.	5,733,800	986,198	11,541,083	373,528	208,000	208,000
Gross Revenues		16,282,643	12,369,096	24,728,017	15,035,427	16,074,083	17,095,199
	Cost of Goods Sold	1,518,612	1,398,825	1,631,474	1,729,309	1,789,870	1,802,779
	Labor	1,905,657	2,118,206	2,748,470	3,088,576	3,428,359	3,704,665
	Other Expense	2,384,678	2,332,964	2,531,482	2,760,671	2,847,357	2,975,669
Operating Earnings/EBITDA		10,473,697	6,519,100	17,816,590	7,456,870	8,008,497	8,612,086
	<i>EBITDA as % of Revenue</i>	<i>64%</i>	<i>53%</i>	<i>72%</i>	<i>50%</i>	<i>50%</i>	<i>50%</i>
Recurring EBITDA		4,470,033	5,249,379	5,958,526	6,844,003	7,580,693	8,213,833
	<i>Recurring EBITDA as % of Recurring Re</i>	<i>43%</i>	<i>47%</i>	<i>46%</i>	<i>47%</i>	<i>48%</i>	<i>49%</i>
Other Expenses/Income							
	Interest Income	2,000	281,520	1,000,000	8,000	4,000	4,000
	Interest - New Bonds	(3,062,953)	(3,243,691)	(3,789,740)	(3,722,634)	(3,651,559)	(3,576,059)
	Interest - Vehicle Loans	(5,317)	(2,689)	(1,384)	(20)	-	-
	Issuance Expenses	(160,000)	(240,000)	-	-	-	-
	Amortization of Note Prepayment Penalties	(122,035)	(122,035)	(122,035)	(122,035)	(119,440)	-
	Depreciation (30 year)	(1,800,000)	(2,000,000)	(2,400,000)	(2,500,000)	(2,600,000)	(2,700,000)
Net income		5,325,392	1,192,206	12,503,431	1,120,181	1,641,499	2,340,028
Debt Service (Principal and Interest)							
5.8%	Series 2016 A Bonds	656,338	681,738	690,050	697,513	709,125	718,825
6.1%	Series 2017 A Bonds	1,225,519	1,237,519	1,253,169	1,253,756	1,258,031	1,260,731
5.5%	Series 2018 A Bonds	651,819	651,338	650,319	653,763	661,400	658,900
4.8%	Series 2019 A Bonds	669,888	671,888	668,488	669,888	670,888	671,488
4.3%	Series 2020 A Bonds	511,890	769,875	784,875	784,875	784,275	788,275
4.3%	Series 2021 A Bonds	382,500	402,500	402,500	402,500	402,500	402,500
	Series 2023 A Bonds		198,835	795,340	795,340	795,340	795,340
	Series 2024 Bonds (Refinance)			-	-	-	-
Total Parity Debt Service		4,097,953	4,613,691	5,244,740	5,257,634	5,281,559	5,296,059
Cash Flow After Debt Service		6,375,744	1,905,409	12,571,850	2,199,236	2,726,938	3,316,028
*EBITDA Coverage of Parity Debt Svc		2.56	1.47	3.59	1.42	1.52	1.63
*Revenue Coverage of Parity Debt Svc		3.97	2.74	4.91	2.86	3.04	3.23
* Including Interest Income							

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Pro Forma Balance Sheet, Year Ended:								
			2022	2023	2024	2025	2026	2027
			actual	projection	projection	projection	projection	projection
ASSETS								
	Cash - Unrestricted		\$ 8,105,646	\$ 4,825,436	\$ 6,222,808	\$ 2,616,848	\$ 2,578,049	\$ 3,281,132
	Accts Receivable		371,752	440,543	880,724	535,508	572,502	608,870
	Debt Reserve Fund		1,757,465	2,232,465	2,232,465	2,232,465	2,232,465	2,232,465
	Reserve Contingency Fund		293,000	333,000	373,000	398,800	398,800	398,800
	Total Current Assets		10,527,863	7,831,444	9,708,997	5,783,621	5,781,816	6,521,267
	Fixed Assets, gross		58,533,697	70,705,099	81,890,521	88,268,307	91,249,610	94,078,746
	Accumulated Depreciation		(7,405,699)	(9,405,699)	(11,805,699)	(14,305,699)	(16,905,699)	(19,605,699)
	Fixed Assets (net)		51,127,998	61,299,400	70,084,822	73,962,607	74,343,911	74,473,047
	Note Prepayment Costs, net of amortization		485,545	363,510	241,475	119,440	-	-
	TOTAL ASSETS		\$ 62,141,406	\$ 69,494,354	\$ 80,035,294	\$ 79,865,668	\$ 80,125,727	\$ 80,994,314
LIABILITIES AND NET FUND POSITION								
	Accrued Interest/Accounts Payable							
	Deferred Revenue							
	Due to (from) ValleyNet		(987,940)					
	Total Current Liabilities		(987,940)					
	Revenue Bonds		60,840,000	66,985,000	65,530,000	63,995,000	62,365,000	60,645,000
	Loans Payable		103,243	56,845	13,399	10,032	10,032	10,032
	Total Long Term liabilities		60,943,243	67,041,845	65,543,399	64,005,032	62,375,032	60,655,032
	Invested In Capital Assets		51,127,998	61,299,400	70,084,822	73,962,607	74,343,911	74,473,047
	Unrestricted Deficit		(48,941,895)	(58,846,891)	(55,592,927)	(58,101,971)	(56,593,216)	(54,133,764)
	Total Fund Net Position		2,186,103	2,452,509	14,491,895	15,860,636	17,750,695	20,339,283
	LIABILITIES AND NET FUND POSITION		\$ 62,141,406	\$ 69,494,354	\$ 80,035,294	\$ 79,865,668	\$ 80,125,727	\$ 80,994,314

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THE NETWORK

The District will undertake the current and future phases of the construction of the Network, and operate and manage the Network with GWI Vermont under the Operating Agreement and Assignment from ValleyNet to GWI Vermont, described below and attached as APPENDIX E.

Overview of the Network

The Network is designed to be:

Universal: It is the policy and commitment of the District ultimately to provide access to its service to 100% of the on-grid premises within the entire territory of the 31 member municipalities of the District. Every location, including residential, business, and institutional, along the routes selected within the Service Area will have access to the Network. Generally speaking, selected routes will be those along and on which electricity is made available to the public. Routes on private property may be treated as long drops rather than mainline access.

Financially Self-Supporting: The Network operations are funded solely from the District's revenues after the payment of its bond obligations, without tax revenues or the financial resources of the member municipalities. The Network's capital expenditures are funded by the sales of bonds and the District's free cash flow, also without taxing authority and member resources.

Upgradeable: The District is confident that its Network can be upgraded in the future. The optical fiber installed by the District has virtually infinite capacity. The only limits are those imposed by the electronics that are attached to the fiber. The current GPON standard equipment, such as the District has installed, is already beyond the realistic limits of copper-based technologies available to premises that will be passed by the Network. The current system can deliver 1G upload and download to every customer. To upgrade the Network to deliver 10G would require replacement of only the Network's electronics at the Network Operating Centers and hubs and at each customer premises at an estimated cost of \$500-\$1000 per customer, because no fiber replacement would be necessary. The District has already begun this deployment of 10 Gigabit equipment in certain locations including its installation of 10-gigabit XGS-PON (10G symmetrical) standard GPON equipment in Quechee and White River Junction. Even higher speed GPON standards are currently under development. The useful life of the fiber optic portion of the Network is believed to exceed that of any known alternative network infrastructure.

Construction of the Network

Building a FTTP network involves

- developing a preliminary network design
- surveying to learn how existing utilities are delivered
- obtaining permission to attach to poles, install conduit, and place hubs
- preparing detailed network design for use by contractors
- obtaining materials needed
- securing skilled labor needed to install and splice fiber
- paying for make-ready work by pole owners and other attachers
- identifying initial customers and how they will be connected
- installing initial drops
- activating initial customers

Construction begins only once the District has received pole attachment licenses from the utility company pole owners. Once make-ready is complete, fiber is attached to the poles and spliced, connected to the hub and tested, and then drops and installations can proceed.

Customer Connections

Customer connections require cutting into the fiber network to install a fiber access point (“FAP”), splicing and attaching a fiber-optic “drop wire” from the FAP to a network interface device at the residence or business, splicing the drop wire to the network interface device, battery installation, and wiring an Ethernet and phone connection from the network interface device to new or existing wiring in the residence or business, and installing a router. The cost of this work is approximately \$1,400 per connection. This work is done by in-house crew and technicians as well as outside contractors.

Technology

The Network utilizes the latest International Telecommunications Union (ITU) standard GPON transport platform (ITU-T G984 GPON 2.4/1.2). The network is configured using the 2.4/1.2 Gigabit GPON rate. Speeds for access to the global “internet cloud” depend on purchasing “upstream bandwidth” from Tier 1 and Tier 2 carriers. Internet access is provided using high packet throughput switches and routers chosen from any of several recognized vendors of such equipment. Customers have a number of speed choices depending on their individual needs and appetites. The District has recently installed 10-gigabit XGS-PON (10G symmetrical) standard GPON equipment in Quechee and White River Junction and is developing a plan to transition all of its service areas to 10G over the medium term. This will make possible service tiers in the multi-gigabit arena. Although this equipment increases potential network speeds by a factor of 10, it is not substantially more expensive than the current standard.

Voice telephone service is being provided using VOIP technology. GWI provides this service through a separate agreement between it and the District dating back to early 2021, prior to GWI Vermont, LLC, assuming the operating responsibilities and staff from ValleyNet.

Physical Security

The Network Operating Center has alarm point devices capable of sending Simple Network Management Protocol (SNMP) alarm messages to dedicated servers for network surveillance. The Network Operating Center is staffed during working hours and is backed up by technicians with instant messaging and after-hours call support.

In addition, certain technicians have the ability to “see” the network from home over the internet to facilitate certain maintenance and repair functions. Network security is provided through a variety of methods, including industry-standard hardware and software. These methods provide a barrier between the network and outsiders by blocking physical access to sensitive areas and equipment, and electronic access by or to certain types of internet traffic.

The Network Operating Center and key network equipment are enclosed within a secure “envelope” within the main hub building, providing additional physical security. Entrance to this “envelope” is strictly controlled.

At the Network Operating Center, adequate alternative current (AC) power already exists. The power is converted to 48-volt direct current (DC) for the DC equipment, with a 30-KVA inverter reconverting the DC back for the AC equipment. This is backed up by redundant batteries capable of providing eight hours of power for essential telecommunication functions. A back-up generator provides additional security for the power source.

Like any telecommunications enterprise, if the network’s data security measures are breached, customers may perceive the network and its services as not secure. GWI Vermont believes that the network’s security and the authentication of subscriber credentials are adequately designed to protect unauthorized access to data on the network. However, techniques used to obtain unauthorized access or to sabotage networks change frequently and may not be recognized until launched against a target; accordingly, GWI Vermont, as the operator of the network, may be unable to anticipate or implement adequate preventive measures against unauthorized access or sabotage. Unauthorized parties may overcome network security and obtain access to data on the network, including data on a device connected to the network and/or the ability to make fraudulent phone calls on the District’s switch partition. Thus, the provision of phone service through the District’s switch partition introduces a financial risk.

In addition, because the network will control customers’ internet connectivity and phone service, unauthorized access or sabotage of the network could result in damage to the network and to the computers or other

devices used by customers. An actual or perceived breach of network security, regardless of the District's or GWI Vermont's responsibility for the same, could harm public perception of the effectiveness of network security measures, adversely affect the ability to attract and retain customers, impose significant liability on the District and GWI Vermont, and have an adverse effect on the District's business and financial condition.

Customer Billings and Collection

GWI Vermont, under the Operating Agreement, performs customer billing and collections functions utilizing a combination of industry-standard outsourced and purpose-created internal systems. All customer revenues will be deposited with the Bond Trustee. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2023A BONDS – Revenue Pledge" herein. The average age of receivables has been stable at 6 days.

Customer Service

GWI Vermont provides customer service representatives who are responsible for incoming calls, initiation of service calls and follow-up, walk-in customer service, change of service and upgrade requests, and information calls. They are trained to assist customers in choosing the most appropriate service mix. Customer service representatives provide basic technical assistance, turning customers over to the technical support group when they are unable to resolve a problem. GWI Vermont employs local residents as customer service representatives and provides such individuals with adequate training and authority to solve problems immediately. The District believes that providing an adequate number of local, well-trained personnel to address customer needs provides it with a competitive advantage in the local and rural environment in which it operates and is cost-effective in the overall provision of the Services.

Historically, the employees of GWI Vermont, formerly the employees of ValleyNet, have received fewer than five service quality complaints per year. Customer service representatives provide basic technical assistance, escalating to senior staff or turning customers over to the technical support group when they are unable to resolve a problem. Overall, customers are exceedingly happy.

Products and Services

The District provides retail communications services on its own account: internet access, and voice telephone service. The District may offer customized services to other customers including "dark fiber," "connectivity" ("pure" circuit capacity of various speeds and specifications), and "local loops".

Internet Access

The Network provides high-speed internet access service to customers, enabling customers to access and use the internet at higher speeds than otherwise available from the incumbent providers in the Service Area. The basic data service for residences is symmetrical (the same upload and download speed) 75 Mbps, with the option to purchase additional connectivity up to 1000 Mbps at additional cost. The District has recently installed 10-gigabit XGS-PON (10G symmetrical) standard GPON equipment in Quechee and White River Junction and is developing a plan to transition all of its service areas to 10G over the medium term. This will make possible service tiers in the multi-gigabit arena. Although this equipment increases potential network speeds by a factor of 10, it is not substantially more expensive than the current standard. The District has not determined the rates for these services at this time.

Currently, many households that will be passed by the Network have only dial-up, satellite, fixed wireless, or cellular connectivity. Even in those areas where some service is available, the District believes that its services are markedly superior to many of those that rely on copper-based infrastructure for any significant part of their systems. DSL, wireless and most cable networks have far less local distribution capacity and frequently constrain the speeds that can be delivered to customers to below what customers have ordered and are paying for. Certain competitive providers (primarily satellite and fixed wireless and some cable) also impose data caps on the total amount of data that can be downloaded in a given month. The District imposes no such caps. As a result, while the District's regular download speeds from outside of the Network may not appear to be significantly faster than those provided by some other carriers, the superiority of the District's local network enables the District's customers to

experience higher actual internet access speeds and superior reliability compared to the internet services that may otherwise be available to them. The District is confident that its Network can be upgraded in the future. See “Overview of the Network” above.

Telephone Services

The District provides a comprehensive package of VOIP telephone services. All advanced calling features and unlimited long distance to Canada and the US are included. Voicemail is included and the feature includes the capability to deliver each received voicemail message via email. Currently, approximately 50% of customers receive VOIP service from the District for an additional charge.

Marketing and Sales Plans

The local nature of the District and its municipal membership affords the opportunity for a marketing strategy that is less expensive than a traditional advertising campaign. The experience of other similar municipal FTTP overbuilds, and the District’s experience to date, have demonstrated that community-owned communication networks have the advantage of being able to readily access word-of-mouth, community and town events, and volunteer efforts to market the new services. The District and GWI Vermont believe that there has been and will continue to be strong support and appeal within the member municipalities, and among potential customers, of a municipal-owned telecommunications provider, whose revenues are generated by and stay in the community, which is controlled by the municipalities, and which provides locally staffed customer service. The District has set up a web site where prospective customers can register their interest in service. The web site is www.ecfiber.net.

The District has been able to obtain substantial local press and television coverage including supportive editorials from widely read local newspapers. Volunteers have provided presentations at local civic events, sports competitions, and similar local gatherings. Further, The District submits an annual report to every municipality that is included in the “Town Report” distributed to all town citizens as part of annual Town Meeting Day. The District delegates are often called upon to answer questions and/or report verbally at their Town Meetings. As a result, the District has an established and well-recognized brand throughout its 31-municipality area.

The District also currently provides discounted bandwidth to more than 90 municipal facilities (town halls, garages, police stations), libraries, schools, and other town-related institutions (community centers, etc.). For the lowest residential price (\$72 per month), these institutions receive Wicked Business class service (\$250 per month). This has resulted in substantial goodwill towards the District.

The ECFiber marketing budget has been significantly increased for 2023.

Regulatory Factors

State and Federal Jurisdiction

The State of Vermont Public Utility Commission (formerly known as the Vermont Public Service Board, the “PUC”) possesses jurisdiction over providers of “telecommunications services,” and operators of “cable television systems.” 30 V.S.A. §§ 203, 502. It does not regulate internet access service. Any person or entity wishing to provide telecommunications or cable television services (but not internet access) must obtain a separate Certificate of Public Good (a “CPG”) for each of these two classes of service from the PUC. This applies equally to municipalities, such as the member municipalities, as well as private entities.

The District does not currently operate a “cable television system” as defined by the law. In addition, the District believes that VOIP does not constitute “telecommunications service” under the relevant legal definitions. Nonetheless, as the PUC has not conclusively determined the status of VOIP services, the District and GWI Vermont have decided to voluntarily operate the Network consistent with many of the obligations of a fully regulated telecommunications service provider (e.g., provide universal service). Consequently, ValleyNet, as the operator of the Network at the time, sought and was awarded a CPG for telecommunications services (CPG No. 880-CR, June 4, 2008) as a “non-dominant

telecommunications carrier,” subject to the regulatory requirements applicable to that carrier class. These requirements are less restrictive than those for an “incumbent local exchange company” (an “ILEC”). The District has also chosen, at its own discretion, to obtain a Telecommunications CPG because it believes that its position within its Service Area may become such that the PUC may wish to exercise jurisdiction in order to protect the public good. (The District also sought and was awarded a CPG for telecommunications services).

Subsequent to the arrival of the Covid pandemic and the recognition that broadband is a necessity for modern life and not an optional luxury, a number of state and federal programs have begun to impact ECFiber. For example, the District has been able for the first time to count on and receive meaningful grant awards. With this comes significant regulatory responsibilities and related expenses. The District engaged legal services during 2021 to clarify its standing as the ISP of record with the FCC in order enable ECFiber to offer Affordable Connectivity Program (ACP) subsidies to its customers. Previously, the FCC sometimes saw ECFiber as ValleyNet, sometimes as ECF Holding, LLC, and sometimes as the District. Similarly, the District participated in the CAF II RDOF reverse auction in 2021 and was awarded \$2 million being paid out monthly for the next decade. This too came with unexpected costs imposed both on the District as expenses and on uncompensated board member time and skill sets.

The passage of ARPA and IJJA during the pandemic has resulted in Vermont establishing the VCBB, which is dispensing ARPA funds in preconstruction and construction grants, and will be acting as the IJJA BEAD program State Broadband Office. As a recipient of ARPA-based grants, the District now has reporting and compliance requirements which also impose new direct and indirect expenses on the District. As a potential recipient of BEAD monies, the District can expect increased regulatory expenses by 2025.

District’s Rates Not Subject to PUC Regulation

The District’s internet access services and telecommunications services are not subject to rate or price regulation by the PUC. As noted above, the PUC does not regulate internet access services. With respect to telecommunications services, pursuant to PUC Rule 7.500, the PUC specifically exempts non-dominant carriers like the District from rate regulations or any requirements to file rate tariffs with the PUC (the previous PUC orders that granted CPGs to ValleyNet and ECF Holding LLC for the provision of telecommunication services specifically noted that they are non-dominant carriers).

The District’s internet access services and telecommunications services are not subject to rate or price regulation by the PUC. At the federal level, neither Congress nor the FCC have opined whether VOIP is or is not a “telecommunications service” directly subject to regulation under Title II. However, VOIP is subject to a variety of FCC regulations adopted in piecemeal fashion, with the practical result that VOIP service is in some respects regulated very much like telecommunication service. For example, VOIP revenues are subject to assessment under the federal Universal Service Fund, as are revenues from the provision of “telecommunications” and “telecommunications service” (the latter being “telecommunications” offered on a common carriage basis).

Pole Attachments

Most of the Network is constructed as “aerial plant,” through connection to existing utility poles. Federal law requires that certified carriers be permitted to attach their cables to existing utility poles. This requirement is further regulated in Vermont pursuant to Rule 3.7 of the PUC. Rule 3.7 requires that access to existing utility poles must be provided to bona fide carriers (i.e., those holding CPGs and broadband service providers) and sets out the terms and procedures for obtaining such access. Rule 3.7 prescribes the time that can be taken by the pole owner to make ready (or prepare) the poles, the amount that can be charged by the pole owner to make ready the poles, and the annual rental for pole attachments. Despite these regulatory protections, the District has historically experienced certain delays (beyond those specified by regulations) in utility pole make-ready work by incumbent utilities, but is working cooperatively with the utilities to improve this process. ECFiber recently worked with the other CUDs in Vermont through

VCUDA to secure a revision in the dominant electric distribution company's make-ready practices to be more like those enjoyed by ECFiber.

Other Matters

The Vermont Statutes include provisions imposing certain conditions on the offering of telecommunications services by a municipality. In particular, any losses which may occur from such activities must not be paid by taxpayers, and any services provided by municipalities to facilitate such activities (e.g., access to municipal property) must be paid for on fair market basis. 24 V.S.A. § 1913.

Support From the State of Vermont

Until 2022, neither the District nor its predecessor, ECF, had received any financial assistance from the United States Federal government. The District (and ECF before it) had received assistance in the form of grants and certain dark fiber made available to the District by the state acting through the Department of Public Service ("DPS") (and prior to June 30, 2015 the Vermont Telecommunications Authority or "VTA").

Since 2013, the District has benefitted from two different state programs: "dark fiber" infrastructure and grants to help build fiber-optic facilities and offer broadband internet services to locations currently without access. Since 2014, the District and its predecessor, ECF, have received a series of grants from the State of Vermont (through VTA and the DPS). The grants were designed to cover specific locations which the state had identified as unserved or underserved.

On August 20, 2020, the Department of Public Service announced \$1,117,570 in grants to ECFiber to extend Fiber broadband to reach 394 eligible locations with broadband connections in response to COVID-19. These locations are all mobile homes requiring underground utility service. About 288 of the locations are in 13 mobile home parks in the District. All of the parks have been completed. The other locations are stand-alone premises. The grant covered all labor, materials, and overhead to install the underground conduit, fiber drops, outside network interface equipment, and an inside wifi router. Only about half this grant was used.

On September 21, 2020, the Vermont Department of Public Service announced a grant award of \$502,000 to ECFiber to extend its fiber network to reach 232 eligible locations with broadband connections in response to COVID-19. These locations are premises within our planned network, but in network areas that were not lit at the time application for the grant was made. Only about a quarter of this grant was used.

In December of 2021, The District was awarded a pre-construction grant of \$2.4 million from the VCBB. As discussed earlier, the District has been awarded a \$14.5 million construction grant covering Stages I, II, and III of its network completion plan.

The enabling statute under which Fund-based grants are made by the Board (No. 71 of the Acts of 2021) provides that the Board shall "establish standards for recouping grant funds and transferring grant-funded network assets to the State if a grantee materially fails to comply with the terms and conditions of a grant." To date no such standards have been developed. In order to protect the operational integrity of its telecommunications plant in the event grant recoupment and asset possession is sought, the District intends to construct and maintain grant-funded network assets in such a manner that neither their removal nor any grant recoupment liability will have a substantial or material impact on the continued operation of the District's telecommunications plant.

Orange County Fiber Connector

In late 2012, the District entered into an agreement with the VTA to lease strands of fiber on the Orange County Fiber Connector (OCFC). The VTA constructed this dark fiber project to be "lit" by broadband and mobile service providers. The District is among the providers who have leased fiber strands.

The route of the 36 mile OCFC includes sections within the Towns of Chelsea, Vershire, West Fairlee, Thetford, Strafford, and Sharon. Construction of the OCFC was completed in 2014.

The legislation that created the VCBB required the State to transfer the ownership of its dark fiber assets to the CUDs within which they are located upon request. In 2021, ownership of the OCFC was transferred to the District.

Other State of Vermont Dark Fiber

In 2017, the State of Vermont completed 80 miles of dark fiber construction to connect Business Broadband Improvement Districts in very rural areas and to provide fiber to micro-cell sites to enhance cellular communications through sparsely populated areas. In lieu of ongoing fiber lease charges on 48 strands of fiber along the 80 miles, the District agreed to invest \$200,000 at that time and an additional \$546,078 in additional fiber construction over ten years. These commitments have already been met. As with the OCFC, the major value to the District is the ability to pass through sparsely populated areas getting to clusters of potential customers who are interested in service. The Vermont Department of Public Service (“DPS”), as successor to the VTA, made this dark fiber run available for customer connection in the second quarter of 2017.

The terms of the District and State of Vermont Agreement allow for the District to own the 80 miles of 144 strand fiber with an IRU to the State of Vermont of 96 strands. The District has access to 48 strands of fiber along the route. It charges back to the State its share of pole rentals and maintenance costs. The District plans to invest additional funds to be paid from operations or proceeds of the Series 2023A Bonds or additional Bonds, for connections and spur roads along these 80 miles of dark fiber and believes it will be able to do so, as it did with the OCFC (see “Orange County Fiber Connector” above).

Rural Digital Opportunity Fund Auction and Letter of Credit

The District was awarded a federal contract for Rural Digital Opportunity Fund (RDOF) support to provide voice and 1 Gbps/500Mbps broadband services to locations in Vermont and New Hampshire. Under this agreement the District is entitled to monthly payments of \$20,318 for 10 years and has certain grant milestones that need to be met starting in 2025. The District has entered into a contract with LymeFiber to deploy these services to the New Hampshire blocks. The District will reimburse LymeFiber for its reasonable and documented costs incurred in meeting the RDOF Obligation in the New Hampshire blocks. Amounts received under this grant by the District during the year amounted to \$81,275 and amounts paid to LymeFiber amounted to \$18,583, which was reduced by a 10% administration fee.

This agreement contains two irrevocable standby letters of credit amounting to \$54,000 and \$313,500, respectively. These are secured by certificates of deposit and are subject to an automatic annual renewal. The District has filed reports showing over 40% of Vermont and over 98% of Lyme are complete. On October 10, 2023, the District was notified that its completion of more than 40% of the addresses reduced its requirement for these letters to \$37,000 and \$209,000. The District expects to replace the existing letters before the end of the year.

RISK FACTORS

In making investment decisions, investors must rely on their own investigations and evaluation of the merits of a particular investment. Any investment, including purchasing any of the Series 2023A Bonds, has particular risk factors an investor should review and evaluate. The following is a summary, which does not purport to be comprehensive or definitive, of some of the risk factors an investor should consider before purchasing any of the Series 2023A Bonds.

Technological and Market-related Trends

The District’s business model is based on total anticipated revenue streams from each prospective customer, the average revenue per unit (“ARPU”). The District offers 75, 300 and 1000 Mbps residential

symmetrical internet connectivity for between \$72 and \$134 per month. Business rates are slightly higher. Telephone service is also available for \$25 per month, and slightly higher for businesses.

In developing the financial model for the Network, ARPU projections are based on the expected average of all purchased services. The District and GWI Vermont anticipate that these revenue streams will continue for the foreseeable future. However, the composition and mix of the revenue stream may change over time, and in potentially significant ways that make it difficult to project the precise source of the Network's overall ARPU. Over the longer term the availability of high speed internet connectivity to customers is expected to result in migration of many services (in particular phone service) to general availability on the internet. The Network's service offering and pricing have been structured to anticipate this development. Nevertheless, GWI Vermont and the District will have to manage the potential migration of customers from purchasing bundles of specific services to purchasing undifferentiated "big pipe" connectivity to maintain an adequate revenue stream to meet the financial obligations of the District for the Network, including debt service payments. It is possible that in managing this transition there may be some erosion of the District's customer base or the Network's ARPU, or both, that could have an adverse effect on the District's business and its financial condition.

Competition

Internet Services. The internet access market is not fully developed in portions of the full 31-municipality Service Area. Moreover, in choosing which routes to build with funds raised, the District gives top priority to unserved or underserved areas where residents and businesses have few competitive alternatives. However, the environment is becoming more competitive through foreseen and unforeseen developments at the national, regional, and local levels including those described below. The District has several current competitors; however, over the past twelve years of operations, it has lost few customers to these competitors.

The District's current and possible future competitors include:

- Cable companies: Cable companies, offering cable television services along with high-speed internet connectivity services and voice services, currently cover a substantially smaller number of premises than the District in the entire 31-municipality Service Area. Cable operators have not indicated any intention of expanding significantly outside their established bases in town centers, but within the portions of the 31-municipality Service Area they serve, these providers will compete directly with the Network and the services.
- Incumbent telephone companies: The Consolidated Communications Inc. ("CCI"), offers Digital Subscriber Line (DSL) services over 93% of the premises in the 31-municipality Service Area, with Topsham Telephone accounting for 6.5% and the balance VTel and TDS. The actual availability and quality of DSL varies widely both according to the user's distance from the optical/electrical interface and with the quality of the copper plant. In some portions of the Service Area the distances are long, and the copper quality is generally poor. The District has experienced the loss of only a few subscriptions where DSL has become available to a household prior to the District being able to connect the household. CCI recently announced significant new investments for FTTP and has obtained grants from CARES Act monies and has announced its intention to build FTTP and offer its Fidium service in several larger business centers, including portions of Hartford, a town within the District. However, with the completion of the ECFiber network in Hartford, Fidium is still not available. Topsham Telephone has received grant funding to pass and connect approximately 300 of its 2,000 premises, but currently has no plans to expand FTTP.
- Wireless providers and 5G: The District faces competition from two or more cellular-based wireless providers offering wireless broadband services, but currently has a relatively small presence due to limited geographic coverage. However, wireless and 5G providers are expected to expand in the future. Many providers of this service have restrictive monthly usage caps that limit the amount of internet access a subscriber can obtain at an affordable cost. Although these providers have been upgrading the speeds they provide nationally by migrating from 1X/2G to 3G to 4G to 5G equipment, in many areas of the Service Area the maximum speeds provided are still limited by 3G (or even 1X/2G) equipment. Although portions of the U.S. have seen the rollout of 5G in densely populated areas due to limited range of 5G antennae, it is unlikely that 5G will be available in most areas of the District for many years.

- 4G LTE fixed wireless access (FWA) services: As a result of a large Federal grant, these services began competing in the Service Area in mid-2015. Wireless service, within the District's Service Area, faces the normal wireless coverage and reliability issues in the hilly, heavily forested terrain of the Service Area. The service is attractively priced but does include data caps. With large national providers now offering FWA as well this area may become more competitive simply because of increased awareness of its availability, but few customers are sited in a manner that consistently delivers results throughout the year. It is difficult to overstate the impact of forested lands on FWA to the home.

- Non-cellular wireless internet: These companies utilize older technologies than 4G LTE and have limited coverage in some parts of the Service Area. Their services are generally similar to or slower than DSL and they face the same wireless coverage issues mentioned above.

- Satellite internet:

- Geostationary/Traditional - These providers cover most of the District's Service Area. The District's experience indicates that most customers find pure satellite-based internet services to be of high cost and of poor and unreliable quality, including significant latency or delay which limits the use of certain internet services. Most providers of this service have restrictive monthly usage caps that severely limit the amount of internet access a subscriber can obtain at affordable cost. In some cases, satellite video providers have developed joint marketing arrangements with wireline carriers ("bundles") who offer DSL-based internet services which enhance the attractiveness of the latter.

- Low Earth Orbit Satellites - Several firms have recently announced plans to deploy or have deployed arrays of thousands of low earth orbit satellites to provide service in low density areas. These satellites are close enough to the earth that they have reasonably low latency. Starlink is now widely available in the ECFiber service area but actual delivered speeds and pricing is not competitive with ECFiber's equivalent tier. It may be more attractive to premises requiring underground work.

Voice Services. For residential voice services, the District primarily faces competition from a single large incumbent wireline telephone operator. For business services, the District faces competition from the same operator, as well as resellers of the operator's network. Other competitors include cellular operators (directly and through home base-stations) and VOIP services using internet connectivity.

Payment: Limited Obligation

The payment of interest on and principal and redemption price of the Series 2023A Bonds will be payable by the District solely from the Revenues. No other revenues of the District or any of the municipalities that make up the District are obligated or expected to be available to make any payments of interest on or principal or redemption price of the Series 2023A Bonds. No assurance can be provided that the Revenues will be sufficient to pay the interest on and the principal and redemption price of the Series 2023A Bonds when due.

Additional Parity Debt

The District may incur additional obligations to fund projects and such additional obligations may be on a parity basis with the Series 2023A Bonds. Such debt would be subject to compliance with the covenants regarding Additional Indebtedness. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2023A BONDS – Additional Indebtedness: Subordinate Bonds and Notes and Other Indebtedness", above.

Additional Subordinated Debt

The District may incur additional obligations to fund projects and such additional obligations may be on a subordinate basis with the Series 2023A Bonds.

Financing Risk

The provision of FTTP services is capital intensive, particularly in rural areas where subscriber density is lower than in urban and suburban areas. In 2024-25, the District may require as much as \$20 million of bonds to complete construction of the Network if grant funding is not available. There is the possibility that District may be unable to borrow sufficient funds to finance completion of the Network.

The sequencing and pace of planned construction work to complete the Network is based on a number of engineering/design, operational and business-related factors (see “Construction Materials, Contractors and Utilities Poles/Inflation Risk” below) that will continue to be further delineated and refined following issuance of the Series 2023A Bonds and could have a significant material adverse impact on currently projected financial results.

Construction Materials, Contractors, and Utility Poles/Inflation Risk

The COVID-19 pandemic highlighted the importance of universal real broadband coverage. This has resulted in a great deal of public funding (RDOF, ARPA and the Inflation Reduction Act grants) and private financing available to the broadband industry, which is increasing demand for material and services related to FTTP, putting immense pressure on an already constrained supply chain. Further, nine new CUDs have been formed in Vermont over the past three years. Each of these districts will be competing for construction materials, contractors and for the owners of existing utility poles to make the poles ready for installation of optic fiber. The utility poles are primarily owned by Green Mountain Power and the company limits the performance of pole make-ready work to the company’s crews. This has resulted in higher prices and longer lead times for nearly all inputs.

The District has already purchased or secured the majority of materials and services for its 2023 and 2024 build, but prices for labor and materials are expected to continue to increase in the future.

Diseconomies of Scale

The District is much smaller in scale than its nationwide competitors and facilities-based telecommunications carriers. This fact results in somewhat higher per subscriber costs (both operating and capital) than its competitors. The Network also requires a fixed amount of administrative personnel despite currently having a relatively small number of customers over which to spread these costs. Both factors increase the Network’s costs relative to its nationwide competitors. However, the low population density of the District’s Service Area may reduce or limit the advantages of scale enjoyed by the nationwide competitors in urban areas.

The District and the Network

Potential Institutional and Administrative Complexity. The District is undertaking the construction of the Network and owns and operates the Network within a complex institutional structure. The District is governed by a Governing Board with 31 voting seats, each vote exercised by one representative from each of the member municipalities, who may appoint one or more alternates along with the main delegate. The Governing Board elects the Executive Committee from among its members. The Network is managed, operated, and maintained under the Operating Agreement between the District and GWI Vermont. The District has established policy and operating protocols and GWI Vermont is responsible for implementing those pursuant to the Operating Agreement. The District is itself a governmental entity, and as such its activities are subject to open meeting and public disclosure requirements that differ significantly from those of private businesses or nonprofit organizations. This may limit or hinder the District’s ability to manage its business with the same efficiency and flexibility as its competitors. The complexity of this institutional structure may impose significant burdens on all its participants, and in particular on GWI Vermont, to develop and put in place many practices and procedures that are uniquely tailored to the circumstances of the proposed undertaking. The unique aspects of this oversight and management structure could adversely affect decision-making or other actions that, in turn, could have an adverse impact on the completion of construction, the management and operation of the Network, and the financial condition of the District.

Growing Enterprise. The District is an organization in its 15th year of existence. During the initial years of operations, ECFiber incurred net income losses that resulted in a negative Net Fund Position (see the District’s historic balance sheets on page 23). Nevertheless, operating earnings (EBITDA) from the Network became sufficient to cover debt service in 2015, by an amount more than the required debt service coverage ratio of 125%. Since 2019, the District has had a positive net income and the negative Net Fund Position has declined from \$3,729,029 to \$721,000 at December 31, 2022. The negative Net Fund Position was largely due to depreciation and amortization expenses. Various developments, discussed here and elsewhere in this Limited Offering Memorandum, could impact the overall financial performance of the Network and the District. These include:

- Delay in pole make-ready by incumbent electric and telecommunications providers;

- Delay in delivery of optic fiber cable or electronics, or other key materials;
- Unexpected difficulties or delays in construction, splicing, and testing;
- Increases in the cost of equipment, or delays in obtaining equipment as needed;
- Failure of the equipment to meet performance expectations; or
- GWI Vermont's inability to rapidly develop and deploy the Network as planned, or provide the Services currently planned, resulting in fewer customers or lower average revenue per user, or both.

Management Team. The District is undertaking the construction of the Network, and managing and operating the Network, under the Operating Agreement with GWI Vermont. GWI Vermont's ability to perform under the Operating Agreement depends largely on the expertise and reputation of its personnel. Loss of any key personnel or the inability to recruit and retain qualified individuals by GWI Vermont could have an adverse effect on the development and implementation of construction projects, the management and operation of the Network, and the financial condition of the District.

Construction Risks. There are many diverse risks attendant to any construction project, including (i) the non-performance by or disputes with one or more private contractors or subcontractors on various aspects of the Network, (ii) disputes with labor unions or similar labor disputes that could disrupt the construction of the Network, including increases in labor costs, (iii) the unavailability of certain materials or products necessary for the construction of the Network, (iv) environmental risks and hazards, (v) natural disasters, (vi) acts of war or terrorism, (vii) inclement weather and weather damage, (viii) shortages of, and price increases in, energy, material and skilled labor, (ix) delays in obtaining or inability to obtain necessary permits, (x) defective plans and specifications, and (xi) geological, construction, excavation, regulatory and equipment problems. These risks may cause construction delays for the Network that increase the cost of construction beyond available funds. There can be no assurance that the construction of the Network can be accomplished according to schedule and within the construction budget for the Network.

The District has completed the construction of the miles of fiber optic cable for the original 23 towns, and plans to use the Series 2023A Bond proceeds, bond proceeds from an additional bond in 2024 or 2025, operating surplus, and grant funds to complete the Network. The sequencing and pace of construction of this work is based on a number of engineering/design, operational and business-related factors that will continue to be further delineated and refined following issuance of the Series 2023A Bonds, the issuance of an addition bond in 2024 or 2025 and the receipt of grant funds and could have a significant material adverse impact on currently projected financial results. See "ESTIMATED SOURCES OF FUNDS AND USE OF PROCEEDS" herein for additional information.

In the opinion of GWI Vermont, one of the largest risks associated with construction is preparing the utility poles to which the fiber optic cable will be attached (known as pole "make-ready"). The fiber optic cable is generally attached aurally along roadways to utility poles owned predominantly by Green Mountain Power, Washington Electric Co-op, and Consolidated Communications Holdings². Many of these poles may have attachments from Consolidated Communications Holdings, cable companies, and other competitive telecommunications carriers. GWI Vermont works on a collaborative basis with all utilities within the framework of federal and State pole attachment laws and regulations. Federal law and State regulation guarantee that make ready must be done in a timely manner according to defined rules, and the timing, costs and terms contained in these rules are reflected in GWI Vermont's financial projections. Nevertheless, the make-ready task is proportionately large and represents a significant portion of the capital budget. The administrative and physical logistics associated with keeping the make-ready effort on track, on budget and on schedule poses a substantial challenge and delays are possible. Such delays may delay construction and in turn postpone the anticipated flow of revenues. Construction of fiber optic lines by the newly organized Communication Union Districts in the State may further delay the make-ready work by the utility pole owners.

² A large majority of poles in Vermont were co-owned and co-managed by Green Mountain Power and Consolidated until June of 2019, when Consolidated sold its ownership share to GMP. This transfer may affect make-ready costs.

Annually, GWI Vermont and the former operator ValleyNet experience delays in make-ready, which result in delays in connecting some customers and generating revenue. During its 2019 session, the Vermont General Assembly passed new legislation (Act 79 of 2019) intended to facilitate broadband deployment in rural areas. Recognizing the specific problem of make-ready delays, Sections 19 and 20 of the Act 79 of 2019 instructed the Public Utilities Commission to revise Rule 3.700 to implement “one-touch make-ready policies for pole attachments in the communications space,” procedures for rapid resolution of disputes, authorization for hiring a qualified third-party contractor when make-ready work is not completed within the applicable time period, etc. As a result of commission’s recent rulings, the make-ready delays have been reduced and expenses have been reduced, although developments during 2022-2023 led to a return to delays of the past. As noted above, ECFiber has worked with VCUA and GMP to resolve these issues but the same labor and material issues confront the electric utilities and there is no assurance these factors will not cause delay in the future.

The former operator ValleyNet, on behalf of the District, entered into a long-term lease for the building that houses the Network Operating Center with a right of first refusal to buy the entire property. There can be no assurance that in the event a third party seeks to purchase the property, the District will be able to purchase the property pursuant to its right of first refusal and would have to seek and then move to another location. Any such event could have an adverse impact on the financial condition of the District.

Cost Overruns. While certain of the costs of the construction of the Network are reasonably well known, it is still possible for costs to vary from estimates. If there were to be material cost overruns, the scope of the construction project might have to be reduced or additional financing might be required.

Impact of Inflation and Increased FTTP Construction. Recent dramatic increases in the rate of inflation could adversely affect the construction of and the operation of the Network if the District is unable to increase charges to customers to match such increases. The District has seen impacts on the labor costs of construction related to the increase in FTTP plant by new Communication Union Districts in the State. The District has also seen increased costs of FTTP materials due to increased FTTP construction nationally, as well as tariffs on foreign goods.

Network Operations. The District, through its operator GWI Vermont, also may face a number of challenges in managing and operating the Network that are common to all telecommunications operators. These challenges include ensuring the availability of subscriber equipment that is compatible with the network and managing sales, advertising, customer support, and billing and collection functions, while providing reliable Services that meet customer expectations. Failure in any of these areas could adversely affect customer satisfaction, increase subscriber churn, increase costs, decrease revenues, and otherwise have a material adverse effect on the District’s business and financial condition.

Like any telecommunications company, the provision of services will depend on the continuing operation of the Network’s information technology and communications systems. Any damage to or failure of these systems could result in interruptions in service. Interruptions in service could reduce revenues and profits, and the District’s reputation and standing could be damaged if people believe the Network is unreliable. The Network, in particular due to the extensive outside plant, is vulnerable to damage or interruption from earthquakes, terrorist attacks, floods, fires, power loss, ice and snow-storms, wind events, telecommunications failures, computer viruses, computer denial of service attacks or other similar events. Not all of the Network components will be fully redundant, and the District’s disaster recovery planning may not be adequate given the nature or extent of the failure. The occurrence of a natural disaster or unanticipated problems at the Network Operating Center and administration facility could result in lengthy interruptions in service and adversely affect operating results.

Plant and Equipment Obsolescence. Technological advances in the fields of satellite and cable television, high speed internet access, telephone and related areas occur at a rapid pace. If any competitors in the Service Area implement such advances (and not with respect to the Network), such advances may render the Network, in whole or in part, at a competitive disadvantage. While the Network will include state-of-the-art fiber technology and the Network is highly scalable, (i.e., the speed and capacity of service at an increased fee rate can be provided with minimal physical changes to the Network), nevertheless there can be no assurance that future advances in technology will not render the Network (or some portion thereof) obsolete.

The District’s communications plant consists primarily of fiber optic cabling and the electronics that transmit and receive optically and electronically encoded data. The substantial majority of the District’s capital investment is in optical cabling (including its design, make-ready work by other utilities to allow for its placement,

attachment materials, attachment labor, and splicing). The District's auditors have allowed a 30-year life for such investments, but industry experience has shown that the fiber plant remains viable for well over 30 years. Each fiber strand is technically capable of transmitting many thousands of times the rates that are currently being transmitted; to effect an order of magnitude upgrade in speeds, only the electronics at each end of the strand need to be upgraded. The District Board does not believe that its fiber optic cabling is at risk of being obsolete within 30-50 years, but it has provided a budget for periodic maintenance electronics and replacement/relocation of its fiber optic plant when needed. The General Resolution also requires the funding of a Reserve and Contingency Fund (see Appendix B-1 – "The General Resolution, as amended" pages 10-11) that may be used for renewal and replacement of the Network.

In a GPON network, electronics are located only at the customer premises and at the regional hubs (approximately one per town). This equipment is currently capable of transmitting 1 gigabit per second for both uploads and downloads. The District estimates that it replaces about 5% of these electronics each year and has incorporated that experience in its budget. The next step in the evolution of GPON is to 10 Gigabits per second, which the District has already started deploying in certain areas. The District has recently installed 10-gigabit XGS-PON (10G symmetrical) standard GPON equipment in Quechee and White River Junction and is developing a plan to transition all of its service areas to 10G over the medium term. It believes that the expense will be minimal (relative to the overall cost of building the fiber optic plant) and that such a transition, when necessary, would give a fiber optic-based carrier an even greater advantage over copper based or wireless alternatives which would be unlikely to achieve speeds in that range. The capital costs for such equipment are now known and stable and are not substantially higher than the current equipment.

Aerial Plant. The vast majority of the District's fiber optic cabling is attached to telephone poles (which are owned by either the incumbent phone company or the local power utility). This is true for the majority of the power and phone systems in New England. This plant is subject to periodic disturbance due to weather and vehicular accidents, but such disturbances do not always require action by the District. The District believes it has an adequate budget for periodic maintenance and replacement/relocation of its fiber optic plant. The District also carries (through GWI Vermont) industry standard property insurance on its plant (with a deductible and an overall limit on catastrophic damage). The worst instance to-date of network damage was an ice storm in December 2014 which resulted in major damage to the phone and power grid in the town of Barnard, but damage to the Network was limited to one spur road and a handful of downed road-to-house connections ("drops"). This damage was 80% covered by a Federal Emergency Management Agency (FEMA) grant.

Security

Like any telecommunications enterprise, if the Network's data security measures are breached, customers may perceive the Network and its services as not secure. GWI Vermont believes that the Network's security and the authentication of subscriber credentials are designed adequately to protect unauthorized access to data on the Network. However, techniques used to obtain unauthorized access to, or to sabotage networks change frequently and may not be recognized until launched against a target, and accordingly GWI Vermont, as the operator of the Network, may be unable to anticipate or implement adequate preventive measures against unauthorized access or sabotage. Unauthorized parties may overcome Network security and obtain access to data on the network, including on a device connected to the network, and/or the ability to make fraudulent phone calls on the District's switch partition. Thus, the provision of phone service through the District's switch partition introduces a financial risk. In addition, because the Network will control customers' internet connectivity and phone service, unauthorized access or sabotage of the Network could result in damage to the Network and to the computers or other devices used by customers. An actual or perceived breach of Network security, regardless of the District's or GWI Vermont's responsibility for the same, could harm public perception of the effectiveness of Network security measures, adversely affect the ability to attract and retain customers, impose significant liability on the District and GWI Vermont, and have an adverse effect on the District's business and financial condition.

Damage or Destruction of the Network

If the Network or a portion of the Network is damaged or destroyed to such an extent that, in the best judgment of the District, the Network cannot reasonably be restored to substantially its condition immediately preceding such damage or destruction, or the Network cannot be used to carry on the purpose for which it was intended, the District may elect not to restore the Network. Such a decision could impact repayment of the Series 2023A Bonds.

The flooding Vermont experienced in July 2023 had little impact on ECFiber; 40 customers were without service for several days because of a serious road cut in Vershire. Flooding, like ice storms, wind storms, and other weather related events typically impact in a localized manner and are built in to maintenance expectations in the annual budget. In situations where widespread impacts imposed extraordinary costs, the Reserve and Contingency Fund is available for use. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2023A BONDS – Reserve and Contingency Fund” herein.

Risks of Insufficient Revenues

The ability of the Network to generate revenues sufficient to allow the District to pay the obligations under the Series 2023A Bonds and other outstanding parity debt will be determined by the ability of the District and other parties to perform their respective contractual responsibilities under various agreements. The revenues and expenses of the District are subject to, among other things, the capabilities of the District and GWI Vermont, the availability and quality of broadband and VOIP services with respect to the Network, demand and utilization of the Network by the potential users in the Service Area, the availability of financing to connect customers, changes in the population or the economic condition of the Service Area, imposition of government price controls or taxes for particular broadband services offered by the Network, competition by other providers, government regulations and licensing requirements, inflation and future economic and other conditions, all of which are unpredictable and may not be quantifiable or determinable at this time.

Risk of Non-Payment by Customers

The ability of the Network to generate revenues sufficient to allow the District to pay the obligations under the Series 2023A Bonds and other outstanding parity debt depends on the ability of the Network’s customers to pay their bills in a timely manner. Although the District currently has a relatively low level of accounts receivable and has had limited non-payment disconnections and bad debt to date, there can be no assurance that this experience will continue in the future. GWI Vermont does not check customers’ credit histories before installing a connection to their homes. A general or localized economic downturn could also affect customers’ ability to pay in a timely manner.

Federal and State Regulation, Approval and Oversight

The Communications Act of 1934, as amended by the Telecommunications Act of 1996 (as amended, the “Communications Act”), contains extensive provisions that are applicable to the offering of telecommunications service (Title II). Historically, internet access service was wholly exempt from federal (and state) regulation.

Neither Congress nor the FCC have opined whether VOIP is or is not a “telecommunications service” directly subject to regulation under Title II. However, VOIP is subject to a variety of FCC regulations adopted in piecemeal fashion, with the practical result that VOIP service is in some respects regulated very much like telecommunication service. For example, VOIP revenues are subject to assessment under the federal Universal Service Fund, as are revenues from the provision of “telecommunications” and “telecommunications service” (the latter being “telecommunications” offered on a common carriage basis).

State Prohibition of Local Government Providing Broadband or Telecommunication Services

In March 2004, the United States Supreme Court, in *Nixon v. Missouri Municipal League, et al*, held that Section 253 of the Communications Act, which forbids any state or local law or regulation from prohibiting “any entity” from providing any telecommunications service, did not apply to state laws which forbid political subdivisions within the state from providing telecommunications service. If such a prohibition were to be enacted in Vermont and made applicable to the Network, based on the recent Supreme Court decision, such a law might prohibit the District from providing telecommunications service. However, any such legislation would be directly contrary to state law, which specifically authorizes a Vermont municipality to acquire, own and operate a telecommunications plant. 24 V.S.A. § 1912. The provision of the Communications Act at issue in the *Nixon* case is only applicable to state or local statutes, regulations or other legal requirements prohibiting local government entities from providing telecommunications service. It is not applicable to the provision of cable television service.

Currently, several states have enacted laws that prohibit or limit municipalities from engaging in telecommunications services. It is not known whether other states (including Vermont) will consider enacting similar laws.

Vermont law explicitly authorizes any Vermont municipality or group of municipalities to engage in telecommunications and cable television. Recently, several new Communication Union Districts have been created under state law and have received grants from the State of Vermont to build fiber optic networks. Any reversal or diminution of the authority granted to municipalities by that law could have a material adverse effect on the ownership, construction and/or operation of the Network.

Vermont law does not prohibit private companies or individuals from providing telecommunication services like the Network's services within the District's Service Area. Unlike other types of municipal utilities, the District is not a monopoly. Nevertheless, the District has a de facto monopoly within most of its Service Area as it is unlikely that a private entity would ever build the Network due to the high capital cost per customer in sparsely populated rural areas and the District's first-mover advantage.

Litigation Risks

Although there are no actions now pending or, to the knowledge of the District, threatened, affecting the District, or the Network, there always is the potential for litigation with a construction project of the size and scope of the proposed construction, including, but not limited to, disputes with contractors and suppliers, and challenges to the District's legal authority to undertake construction and own and operate the Network by competitors or others. Any such litigation could have a material adverse effect on the construction and the ownership or operation of the Network by the District.

Certain Matters Relating to the Enforceability of the Series 2023A Bonds; Enforceability of Remedies

The enforceability of the obligations of the District under the Series 2023A Bonds may be limited by insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws or by equitable principles affecting the enforcement of creditors' rights generally. The realization of any rights upon a default by the District will depend upon the exercise of various remedies available to Owners of the Series 2023A Bonds. Certain remedies may require judicial action which is often subject to discretion and delay. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2023A BONDS – General" herein.

Legal Opinions

The various legal opinions to be delivered concurrently with the delivery of the Series 2023A Bonds will be qualified as to the enforceability of the various legal instruments by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). The legal opinions to be delivered will express the professional judgment of the attorneys rendering the opinions on the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon or of the future performance of parties to such transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Secondary Market for the Series 2023A Bonds

There can be no assurance that there will be a secondary market for purchase or sale of the Series 2023A Bonds. From time to time there may be no market for the Series 2023A Bonds depending upon prevailing market conditions, including the financial condition or market position of firms who may make the secondary market, the evaluation of the municipalities and the District, and the financial condition and results of operations of the Network.

Projected Information

GWI Vermont has prepared a projected five year forecast for the Network as described in the Management Discussion and Analysis section above. Such forecasted financial information is based on assumptions deemed reasonable by GWI Vermont, but such assumptions, and the actual future financial impact will inevitably vary from the forecast data, and such variance may be material and adverse. *As with all assumptions about the future, no guaranty can be made that the forecasted financial information included in this Limited Offering Memorandum will correspond with the results actually achieved in the future because actual events will certainly differ from the assumptions made by GWI Vermont, and may differ materially. With any given assumption, to the extent future experience is more favorable than the assumption, Network cash flows may increase. Conversely, to the extent future experience is less favorable than a certain assumption, Network cash flows may decrease. The Network's actual future operations and financial condition will certainly differ, and may differ substantially, from those projected, as actual future events and conditions will almost certainly differ, and may differ substantially, from those assumed by GWI Vermont. Future cash flows also may vary due to factors not considered by GWI Vermont in its projections and assumptions. Such differences may be material and adverse. Actual operating results may be affected by many factors, including, but not limited to, construction delays, regulatory delays, increased construction, operation and maintenance costs, lower than anticipated revenues (as a result of changes in inflation, demographic trends, insufficient market penetration rates, increased competition, technological change, changes in State or federal law, or otherwise), and local and general economic conditions.*

Information Not Verified. Information with regard to the Network, and the financial projections, has been obtained from GWI Vermont. Some of that information involves predictions with regard to future events, such as the expected operating expenses and revenues of the Network; such information is, by its nature, not subject to verification. None of the Municipalities nor the District has independently verified the information provided by GWI Vermont regarding the Network and the information contained in the Management Discussion and Analysis section above.

LITIGATION

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the District, threatened against the District affecting the existence of the District, or seeking to restrain or to enjoin the sale or delivery of the Series 2023A Bonds, the application of the proceeds thereof, or in any way contesting or affecting the validity or enforceability of the Series 2023A Bonds, the Resolution of which would have a material adverse effect on the Network, or the District's ability to perform its obligations under the Resolution or the Series 2023A Bonds., or in any way contesting the completeness or accuracy of this Limited Offering Memorandum or any amendment or supplement thereto, or contesting the powers of the District with respect to the Series 2023A Bonds, nor to the knowledge of the District, is there any basis therefore. See also "THE DISTRICT" and "RISK FACTORS - Litigation Risks".

TAX EXEMPTION

Primmer Piper Eggleston & Cramer, PC, Bond Counsel to the District, is of the opinion that, under existing law, interest on the Series 2023A Bonds will not be included in the gross income of Owners of the Series 2023A Bonds for federal income tax purposes. This opinion is expressly conditioned upon continued compliance with certain requirements imposed by the Internal Revenue Code, which must be satisfied subsequent to the date of issuance of the Series 2023A Bonds in order to assure that interest on the Series 2023A Bonds is and continues to be excludable from the gross income of Owners of the Series 2023A Bonds. Failure to comply with such requirements could cause interest on the Series 2023A Bonds to be included in the gross income of the holders of the Series 2023A Bonds retroactive to the date of issuance of the Series 2023A Bonds. In particular, and without limitation, those requirements include restrictions on the use, expenditures and investment of proceeds of the Series 2023A Bonds and the payment of rebate, or penalties in lieu of rebate, to the United States, subject to certain exceptions. In the opinion of Bond Counsel, under existing law, since the Series 2023A Bonds are not "private activity bonds" under the Internal Revenue Code, interest on the Series 2023A Bonds will not constitute a preference item under Section 57(a)(5) of the Internal Revenue Code for purposes of computation of the alternative minimum tax imposed on certain individuals and interest on the Bonds is taken into account in determining "adjusted financial statement income" for purposes of computing the alternative minimum tax imposed on "applicable corporations" for the tax

years beginning after December 31, 2022. Bond Counsel is also of the opinion that each of the Series 2023A Bonds is a “qualified tax-exempt obligation” for purposes and effect contemplated by Section 265(b)(3) of the Code (“Bank Qualified”). The foregoing does not purport to be a comprehensive description of all of the tax consequences of owning the Series 2023A Bonds. Prospective purchasers of the Series 2023A Bonds should consult their own tax advisors with respect to the foregoing and other tax consequences of owning the Series 2023A Bonds.

On the date of delivery of the Series 2023A Bonds, Bond Counsel will issue an opinion substantially in the form attached hereto as APPENDIX D – “Proposed Form of Opinion of Bond Counsel.”

UNDERWRITER

The Series 2023A Bonds are being purchased for reoffering by Municipal Capital Markets Group, Inc. (the “Underwriter”). The Underwriter is to be paid a fee of \$112,950.00 with respect to its purchase of the Series 2023A Bonds. The Underwriter has agreed to accept delivery and pay for all of the Series 2023A Bonds if any are delivered. The obligations of the Underwriter are subject to certain terms and conditions set forth in a Bond Placement Agreement among the District and the Underwriter. To the extent permitted by law, the District has agreed to indemnify the Underwriter against certain liabilities, including certain liabilities arising under federal and state securities laws. The Underwriter may allow concessions from the public offering price to certain dealers, banks and others. After the initial public offering at the offering price or prices set forth on the inside cover of this Limited Offering Memorandum, the public offering price or prices may be varied from time to time by the Underwriter.

FINANCIAL STATEMENTS

The audited financial statements of the District as of December 31, 2022 are included as APPENDIX A to this Limited Offering Memorandum. Nathan Wechsler & Company, PA, the District’s independent auditor, has not been engaged to perform and has not performed, since the date of its report referenced therein, any procedures on such financial statements of the District. Nathan Wechsler also has not performed any procedures relating to this Limited Offering Memorandum or the Series 2023A Bonds.

CERTAIN LEGAL MATTERS

All legal matters incidental to the authorization and issuance of the Series 2023A Bonds by the District are subject to the approval of Primmer Piper Eggleston & Cramer PC, Montpelier, Vermont, Bond Counsel to the District, whose opinion approving the validity and tax exempt status of the Series 2023A Bonds will be delivered with the Series 2023A Bonds. A copy of the proposed form of the opinion of Bond Counsel is attached hereto as APPENDIX D. Certain legal matters will be passed on for the District by its disclosure counsel Primmer Piper Eggleston & Cramer PC, Montpelier, Vermont and for the Underwriter by its counsel, McCarter & English, LLP, Boston, Massachusetts.

DESCRIPTION OF RATING

S&P Global Rating (“S&P”) has assigned a rating of BB (stable outlook) to the Bonds based on the financial strength of the Provider. This rating reflects only the views of S&P at the time the rating was issued and an explanation of the significance of such rating may be obtained from S&P. This rating is not a recommendation to buy, sell or hold the Bonds. There is no assurance that the rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating can be expected to have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE

The District has undertaken for the benefit of the owners of the Series 2023A Bonds to provide continuing disclosure pursuant to the provision of Rule 15c2-12(b)(5) under the Securities Exchange Act of 1934 (as amended, the “Rule”). Specifically, the District and Municipal Capital Markets Group, Inc., as Dissemination Agent (the “Dissemination Agent”) have executed and delivered a Continuing Disclosure Agreement dated the date of the closing of the Series 2023A Bonds, for the benefit of the owners of the Series 2023A Bonds. The District has

covenanted for the benefit of holders and beneficial owners of the Series 2023A Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by or on behalf of the District with the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) system. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). The District is obligated to comply with its prior continuing disclosure undertakings for the Series 2016A Bonds, Series 2017A Bonds, Series 2018A Bonds, the Series 2019A Bonds, and the Series 2020A Bonds. The District has complied in all material respects with such undertakings since its inception. From 2011 to 2015, ECF sold tax-exempt notes directly to individual investors without an underwriter, placement agent, or financial advisor and as such, the Rule was not applicable to such notes and ECF did not enter into a Continuing Disclosure Agreement. However, ECF annually provided the noteholders with updated information on ECF and the Network. ECF did not report to the Securities and Exchange Commission or post any material on EMMA concerning the notes either at the time of sale of the notes or on a continuing basis. The District failed to timely file its five year forecast as part of its Annual Report for the years ended December 31, 2019 and December 31, 2022.

On the date of delivery of the Bonds, the Borrower and the Dissemination Agent, will enter into the Continuing Disclosure Agreement for the Series 2023A Bonds substantially in the form attached hereto as APPENDIX C - “Form of Continuing Disclosure Agreement.”

VERMONT NOT LIABLE ON THE BONDS

The Series 2023A Bonds are not a debt or liability of the state of Vermont or any political subdivision thereof, or a pledge of the faith and credit of the state of Vermont or any such political subdivision. Neither the faith and credit of the state of Vermont nor the taxing power of the state of Vermont or any political subdivision thereof is pledged to the payment of the principal of or interest on the Series 2023A Bonds. The Act does not in any way create a so-called moral obligation of the state of Vermont or of any political subdivision thereof to pay debt service in the event of default by the District. The District has no taxing power under the Act.

MISCELLANEOUS

The summaries or descriptions herein of provisions of the Act, the Series 2023A Bonds, the Resolution and the Continuing Disclosure Agreement, and all references to other materials not purporting to be quoted in full, are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof. So far as any statements are made in this Limited Offering Memorandum involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the documents mentioned in this paragraph are on file at the offices of the District and the Trustee.

[Signatures on following page]

The execution and delivery of this Limited Offering Memorandum have been duly authorized by the East Central Vermont Telecommunications District.

EAST CENTRAL VERMONT TELECOMMUNICATIONS
DISTRICT

By: /s/ F. X. Flinn
District Chair

By: /s/ Daniel Childs
District Treasurer

Appendix A

Audited Financial Statements of the District

EAST CENTRAL VERMONT
TELECOMMUNICATIONS DISTRICT
d/b/a ECFIBER

ANNUAL COMPREHENSIVE
FINANCIAL REPORT

DECEMBER 31, 2022

ANNUAL COMPREHENSIVE
FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2022

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April 27, 2023

To the 31 member towns and bond holders:

Management, in the form of the Executive Committee of the Governing Board, assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose.

Nathan Wechsler & Company, PA, Certified Public Accountants, have issued an unqualified opinion on the East Central Vermont Telecommunication District's financial statements for the year ended December 31, 2022. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

ECFiber's mission is to provide universal service within its 31 member towns. On January 1, 2016, the East Central Vermont Telecommunications District ("the District"), Vermont's first Communications Union District as authorized by 30 V.S.A. Section 3051a, commenced operations and assumed the liabilities and assets of its predecessor ECF Holding LLC, replacing the "interlocal contract" form of organization. The network is owned by the District and local taxpayer funds cannot be used to subsidize its operations. The District continues to market its services under the trade name ECFiber. Since inception, the District and its predecessor have contracted with the local non-profit internet service provider ValleyNet, Inc. to design, build and operate the network.

ECFiber has experienced several years of steady growth in its customer base. The organization has been able to translate most of its revenue growth over the past two years into increased Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"). 2022 marked the twelfth year of operations. The organization has now moved well beyond its start-up phase and expects to substantially complete its network during 2025.

ECFiber competes effectively by providing:

1. **Reliable high Internet speeds** which are symmetrical (the same in each direction) and are not "up to" (that is, ECFiber strives to actually provide the speeds for which its customers are paying at ALL times, unlike most of its competitors,)
2. **Simple, stable pricing** – Since inception, ECFiber has increased its speeds several times with no price increase, no contracts, no fine print, and no data caps,
3. **Local and personable customer service** - phones are answered by an employee during business hours without an automated queue, including weekend on call service,

4. **Local management and control** - Governing Board members meet regularly to set policy and are actively involved in promoting ECFiber within the community, and
5. **Valued community services** - ECFiber offers over 85 community anchor institutions (schools, town facilities, and libraries) its highest level of service for its lowest monthly fee.

ECFiber's Internet product offerings have been simplified in the belief it can create the most value by offering a "big pipe" to each home and letting consumers choose widely available ancillary services (such as video streaming, data backup, email, home networking, etc.) from other service providers. This strategy has had the added benefit of reducing internal staffing requirements. The one exception to this policy has been VOIP landline telephone service, which is offered to remain competitive with incumbent carriers.

ECFiber relied on locally sourced financing through 2015 - by December 2015 it had local investments of approximately \$7M from nearly 500 local investors. Locally sourced financing allowed ECFiber to expand its network in a step-by-step organic fashion, but it made construction and management of the piecemeal network and its expansion more difficult in several ways. In 2016 and 2017, ECFiber completed two revenue bonds offerings totaling \$23,805,000 to refinance a portion of its debt on more favorable terms and to cover capital expenditures. Similar bond offerings have been completed in 2018, 2019, 2020, and 2021 for an additional amount of \$39,500,000 for a total of \$63,305,000.

East Central Vermont Telecommunications District
Executive Committee
December 31, 2022

F.X. Flinn	Chair
Chris Noble	Vice Chair
Dan Childs	Treasurer
Jeff Brand	Secretary
Irv Thomae	Member at Large
Alessandro Iuppa	Member at Large
Dan Leavitt	Member at Large
Jim Masland	Member at Large
Clare Holland	Member at Large



NATHAN WECHSLER & COMPANY
PROFESSIONAL ASSOCIATION
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Members
East Central Vermont Telecommunications District
d/b/a ECFiber
Royalton, Vermont 05068

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities of East Central Vermont Telecommunications District ("the District,") which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of revenues, expenses and changes in fund net position, and cash flows for the years then ended, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of East Central Vermont Telecommunications District, as of December 31, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of East Central Vermont Telecommunications District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As part of our audit of the December 31, 2022, financial statements, we also audited the adjustments described in Note 9 that were applied to restate the 2021 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

Page 4

Responsibilities of Management for the Financial Statements

East Central Vermont Telecommunications District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about East Central Vermont Telecommunications District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of East Central Vermont Telecommunications District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about East Central Vermont Telecommunications District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Budgetary Comparison information on pages 7, 8, 22 and 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the information included in the annual comprehensive financial report but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Nathan Wechsler & Company

Concord, New Hampshire
April 27, 2023

Vermont #L0028120

**EAST CENTRAL VERMONT TELECOMMUNICATIONS DISTRICT
d/b/a ECFiber****MANAGEMENT'S DISCUSSION AND ANALYSIS**

Within this section of the annual financial report, the District's management provides narrative discussion and analysis of the financial activities of the District for the year ended December 31, 2022. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

As ECFiber, the District offers two principal services: Internet connectivity and Voice Over Internet Protocol (VOIP)-based voice phone service that features unlimited long distance calling throughout the U.S. and Canada. It also offers ancillary services such as voicemail, static IP addresses and dark fiber/wholesale connections. The District added 8 new towns in 2020: Bradford, Corinth, Fairlee, Newbury, Topsham, Washington, West Fairlee, and Windsor. This added almost 500 miles of required plant and extended ECFiber's build plans for bringing its services to all on-grid premises in member towns by the end of 2025.

MILES AND CUSTOMERS

The District's finances rest on its ability to continue to construct lit miles for approximately \$35,000 per mile and to connect more than 5 customers per mile on plant in service for more than two years.

The District added 86 lit miles to end 2022 with 1,585 lit miles. This was less than the budget goal of 1,784. Cumulative capex per lit fiber mile was higher at \$36,759 per mile and cumulative capex per customer was \$7,599. The District expects capital costs per mile to be higher over the next several years due to a national and regional surge in fiber to the home ("FTTH") projects funded by federal and state grants.

In 2022, the District added 877 customers to end the year at 7,667 customers, but it did not meet its budgetary goal of 8,912 customers. As of December 31, 2022, the overall average was 4.8 customers per mile.

REVENUE

Average Revenue per Month per Customer ("ARPU"): Residential ARPU decreased from \$108 to \$107 and Business ARPU increased from \$178 to \$188. ARPU includes VOIP telephone service which is taken by approximately 50% of customers and costs \$25 per month.

Recurring service revenues (revenue excluding grants/installations) of \$9.72M were 17% higher than the level a year ago. For the full year 2022, recurring service revenue was below budget by approximately \$582,000 (4% of budget). Installation revenues of \$305,000 were \$35,000 more than budgeted. Grant proceeds were \$5.3M below budget due to timing of work and resulting limits on revenue recognition. Installation and grant revenues will be substantially reduced once network construction is substantially completed in 2025.

**EAST CENTRAL VERMONT TELECOMMUNICATIONS DISTRICT
d/b/a ECFiber****MANAGEMENT'S DISCUSSION AND ANALYSIS**

EXPENSES

The District strives to control its operating expense growth (excluding depreciation) at a rate below its recurring service revenue growth. For 2022, it did not achieve this goal as expenses increased approximately 39% and recurring service revenue increased by approximately 17%. This was primarily related to increased subcontractor costs and increased legal expenses (see Note 8).

Cost of Goods Sold (i.e., bandwidth and telephone connections purchased to provide the services plus pole rental) in 2022 was 8% higher than in 2021 and was 21% lower than forecast due to fewer miles and less pole rental than budgeted.

Subcontracted Labor Expense increased by 48% and Other Operating Expenses increased by 65%. Labor costs continue to increase in this economy along with costs for utilities and customer accommodations.

EBITDA AND COVERAGE

EBITDA is calculated as gross revenues less all operating expenses excluding depreciation and again increased in 2022 as the District was able to achieve further scale economies in its operations (i.e., it was able to add more customers without increasing its operating expenses proportionally). EBITDA increased 3% to \$5.5M in 2022 vs. a budget of \$10.4M – the \$4.9M variance was primarily due to budgeted grant revenues of \$5.7M that was not all earned during the year.

Recurring EBITDA (EBITDA without non-recurring revenues such as grants or installations) decreased 0.27% to \$4.76M in 2022 versus a budget of \$4.47M - \$286,000 (6%) higher than budgeted.

The District's Debt Service Coverage Ratio (EBITDA plus Interest Income divided by senior Debt Service incl. Interest and Principal) was 1.37, again well in excess of its target covenant of 1.25 times.

NET FUND POSITION

The District's Net Fund Position at year end 2022 increased significantly to negative \$721,000 from negative \$1.4M (the District assumed the negative Net Fund Position from ECF Holding, LLC). Accumulated losses in the early years of operations are characteristic of capital-intensive undertakings and are consistent with the long-term business model.

EAST CENTRAL VERMONT TELECOMMUNICATIONS DISTRICT
d/b/a ECFiber

BALANCE SHEETS

December 31, 2022 and 2021

<i>ASSETS</i>		2022	2021
CURRENT ASSETS			
Cash and cash equivalents	\$	8,811,822	\$ 13,210,410
Restricted cash, bond debt service reserve and reserve and contingency fund		2,394,431	2,374,200
Accounts receivable, net of allowance for doubtful accounts of \$9,100 for 2022 and \$15,030 for 2021		43,370	110,978
Grant receivable		21,397	0
Due from ValleyNet, Inc.		85,083	415,193
<i>Total current assets</i>		11,356,103	16,110,781
PROPERTY AND EQUIPMENT, net		50,872,241	44,673,313
DEFERRED OUTFLOWS OF RESOURCES			
Note prepayment premium, net of accumulated amortization of 2022 \$694,170; 2021 \$611,288		485,545	568,427
<i>Total assets</i>	\$	62,713,889	\$ 61,352,521
LIABILITIES AND FUND NET POSITION			
CURRENT LIABILITIES			
Bonds payable, current portion	\$	1,120,000	\$ 1,035,000
Notes payable, current portion		37,277	56,374
Accounts payable		1,423,058	0
Accrued interest		253,738	224,036
Deferred grant income		710,457	467,925
Universal service fund payable		37,533	0
<i>Total current liabilities</i>		3,582,063	1,783,335
LONG TERM LIABILITIES			
Bonds payable, less current portion		59,720,000	60,840,000
Notes payable, less current portion		127,165	170,440
<i>Total liabilities</i>		63,429,228	62,793,775
FUND NET POSITION			
Invested in capital assets		50,872,241	44,673,313
Unrestricted deficit		(51,587,580)	(46,114,567)
<i>Total fund net position</i>		(715,339)	(1,441,254)
<i>Total liabilities and fund net position</i>	\$	62,713,889	\$ 61,352,521

EAST CENTRAL VERMONT TELECOMMUNICATIONS DISTRICT
d/b/a ECFiber

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Years Ended December 31, 2022 and 2021

	2022	2021
OPERATING REVENUES		
Service revenue	\$ 9,697,463	\$ 8,307,209
Installation and activation revenue	304,570	386,527
Grant income	409,007	186,179
Miscellaneous income	26,609	8,245
<i>Total operating revenue</i>	<u>10,437,649</u>	<u>8,888,160</u>
OPERATING EXPENSES		
Subcontract expense, ValleyNet, Inc. (Note 8)	4,446,497	3,185,944
Contributions	0	100,000
Professional fees	271,705	99,468
Service fees	72,285	49,115
Depreciation expense	1,700,362	1,487,664
Bank charges	125,365	93,937
Bad debt expense, net of change in allowance	25,314	9,525
<i>Total operating expenses</i>	<u>6,641,528</u>	<u>5,025,653</u>
<i>Operating income</i>	<u>3,796,121</u>	<u>3,862,507</u>
NONOPERATING INCOME (EXPENSE)		
Interest income	125,107	1,851
Bond origination fees	0	(157,622)
Original issue discount	0	(37,350)
Amortization, note prepayment premium	(82,882)	(121,469)
Interest expense, bonds	(3,106,105)	(2,683,309)
Interest expense, notes	(6,326)	(8,005)
<i>Total nonoperating expense</i>	<u>(3,070,206)</u>	<u>(3,005,904)</u>
<i>Increase in fund net position</i>	<u>725,915</u>	<u>856,603</u>
Fund net position, beginning of year	(1,441,254)	(2,744,657)
Prior period adjustment (See Note 9)	0	446,800
Fund net position, end of year	<u><u>\$ (715,339)</u></u>	<u><u>\$ (1,441,254)</u></u>

EAST CENTRAL VERMONT TELECOMMUNICATIONS DISTRICT
d/b/a ECFiber

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and grants	\$ 10,566,742	\$ 9,810,499
Cash paid to suppliers and subcontractors	(3,320,926)	(6,108,225)
Cash paid for contributions	0	(100,000)
	<u>7,245,816</u>	<u>3,602,274</u>
<i>Net cash provided by operating activities</i>		
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	125,107	1,851
Increase in restricted cash	(20,231)	(811,735)
Increase in due from ValleyNet, Inc.	330,110	311,400
Purchase of property and equipment	(7,899,290)	(8,440,403)
	<u>(7,464,304)</u>	<u>(8,938,887)</u>
<i>Net cash used in investing activities</i>		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bond issue, net of bond origination fees		
2022 \$0; 2021 \$194,972	0	8,805,028
Principal repayment of bonds payable	(1,035,000)	(775,000)
Interest paid, bonds	(3,076,403)	(2,703,614)
Interest paid, notes	(6,326)	(8,005)
Repayment on long-term debt	(62,371)	(83,334)
	<u>(4,180,100)</u>	<u>5,235,075</u>
<i>Net cash provided by financing activities</i>		
<i>Net increase (decrease) in cash and cash equivalents</i>	(4,398,588)	(101,538)
Cash and cash equivalents, beginning of year	13,210,410	13,311,948
	<u>\$ 8,811,822</u>	<u>\$ 13,210,410</u>
<i>Cash and cash equivalents, end of year</i>		
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 3,796,121	\$ 3,862,507
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,700,362	1,487,664
Decrease in accounts receivable	67,608	36,275
(Increase) decrease in accounts receivable, grant	(21,397)	764,594
Increase (decrease) in accounts payable	1,423,057	(3,016,691)
Increase in deferred grant income	242,532	467,925
Increase in universal service fund payable	37,533	0
	<u>\$ 7,245,816</u>	<u>\$ 3,602,274</u>
<i>Net cash provided by operating activities</i>		

EAST CENTRAL VERMONT TELECOMMUNICATIONS DISTRICT
d/b/a ECFiber

STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended December 31, 2022 and 2021

	2022	2021
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of property and equipment		
Cost of property and equipment	\$ 7,899,290	\$ 8,539,818
Amount financed	0	(99,415)
	<u>\$ 7,899,290</u>	<u>\$ 8,440,403</u>

EAST CENTRAL VERMONT TELECOMMUNICATIONS DISTRICT
d/b/a ECFiber

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities

Under the laws of the State of Vermont, the East Central Vermont Telecommunications District (“the District”) is a municipal entity as defined by Chapter 82 of Title 30, “Communications Union Districts” (“CUD’s”). The District’s mission is to make full-strength internet and related broadband services available to all residences, businesses, and civic institutions throughout its territory by building and operating a municipally owned fiber optic network. Its predecessor, the East Central Vermont Community Fiber-Optic Network, was originally formed for the same purpose in 2008 by 24 municipalities under an Interlocal Agreement, and undertook initial design and construction funded by local investment through its wholly owned subsidiary, ECF Holding, LLC. Following enactment in 2015 of the CUD statute, the District commenced full operations on January 1, 2016, and on that date assumed all assets and liabilities of ECF Holding, LLC, including the ‘ECFiber’ trade name.

Under state law, the costs of building and operating a municipally owned network may not be subsidized by local taxes, so general-obligation bonds cannot be used. Instead, the District’s capital construction is financed by municipal revenue bonds, and user fees cover all debt service as well as operating costs.

In 2020, the District’s Governing Board accepted several new municipalities into membership, for a current total of 31 member municipalities.

Note 2. Significant Accounting Policies

Basis of financial statements: The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the *Governmental Accounting Standards Board* (GASB). The District follows the “business-type activities” reporting requirements of GASB Cod. Sp20.107. Accordingly, the District’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of related cash flows.

Installation and service revenue: The District offers two principal services: Several tiers of Internet connectivity and Internet Protocol (IP)-based voice telephone service. The District also has a one-time charge for installation of service. The District bills its customers monthly and recognizes revenue when earned.

Estimates and assumptions: Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents: For purposes of reporting cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents. At December 31, 2022 and 2021, the District had cash equivalents of approximately \$8.6M. Restricted cash has been excluded from cash equivalents for purposes of the cash flow statement.

EAST CENTRAL VERMONT TELECOMMUNICATIONS DISTRICT
d/b/a ECFiber

NOTES TO FINANCIAL STATEMENTS

Accounts receivable: The District extends unsecured credit to their customers in the ordinary course of business but mitigates the associated risk by actively pursuing past due accounts. An allowance for uncollectible accounts has been established. Actual bad debt expense (recovery) was \$31,242 and \$(504) for the years ended December 31, 2022 and 2021, respectively.

Property and equipment: Property and equipment are recorded at cost and are being depreciated using the straight-line method over estimated useful lives as follows:

	Years
Central office: office equipment and software	3-10
Furniture and fixtures	7
Leasehold improvements	10
Vehicles	5
Telecommunications - including fiber pass, pole make ready, and drops	40
Telecommunications - including customer premises equipment, hubs, and other	15

Amortization: Per GASB No. 65, the District is amortizing the note prepayment premium paid using the straight-line method over the shorter of the original maturity of the debt repaid or the new debt acquired, per issuance.

Deferred grant income: Grants received that are considered reciprocal transactions generally contain conditions that could require the District to return funds if the conditions are not met. Accordingly, these grant proceeds are recorded as deferred grant income upon receipt. The grant revenue is recognized according to the terms of the grant agreement, usually as the proceeds are utilized for the grant's purposes and the conditions are fully met. Deferred grant income includes \$710,457 and \$467,925 from grants with certain conditions that have not yet been met for the years ended December 31, 2022 and 2021, respectively.

Subcontract expense: The District has entered into a design, build, and operate agreement with ValleyNet, Inc. to design, construct and operate a communication plant for the delivery of broadband communications services to and among the District's subscribers. The District is charged under this subcontract agreement amounts that represent the cost of construction of the District's property and equipment as well as the operating expenses for the services provided.

Income taxes: The District is a body corporate and politic and as such is considered a municipality and is therefore exempt from federal and state tax.

Change in accounting principle: In June 2017, GASB issued Statement 87, *Leases*, which was effective for the District on January 1, 2022. Under GASB 87, at the commencement of a long-term lease, lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. Lessees (for capital and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements.

**EAST CENTRAL VERMONT TELECOMMUNICATIONS DISTRICT
d/b/a ECFiber****NOTES TO FINANCIAL STATEMENTS**

The standard was adopted as effective January 1, 2021. The District did not have any leases that required restatement for the years ended December 31, 2021 or 2022.

Note 3. Fair Value Measurements

The Fair-Value Measurement requirements of GASB 72 *Fair Value Measurement and Application* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted, quoted prices in active markets for identical assets at the measurement date. The types of assets carried at level 1 fair value generally are securities listed in active markets.
- *Level 2* – Inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- *Level 3* – Inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include discounted cash flow models, and similar techniques.

The inputs or methodology used for valuing instruments are not necessarily an indication of the risk associated with investing in those investments.

Note 4. Concentration of Credit Risk

The District maintains cash accounts with four financial institutions. The District's accounts are insured up to \$250,000, per depositor at each financial institution. The District has taken advantage of IntraFi Network Deposits for certain amounts on deposit. Under this program, amounts on deposit are shared among various community banks to limit FDIC exposure. The District had amounts on deposit in excess of federally insured limits of approximately \$605,000 at December 31, 2022 with nonparticipating banks.

EAST CENTRAL VERMONT TELECOMMUNICATIONS DISTRICT
d/b/a ECFiber

NOTES TO FINANCIAL STATEMENTS

Note 5. Property and Equipment

Property and equipment consisted of the following as of:

December 31,	2022	2021
Central office	\$ 370,843	\$ 361,656
Office equipment	143,061	111,012
Software	38,841	38,841
Furniture and fixtures	17,770	17,600
Leasehold improvements	136,559	38,008
Vehicles	538,535	538,535
Telecommunications:		
Fiber pass	30,392,754	27,745,840
Pole Make Ready	8,597,649	6,415,771
Drops	10,056,586	8,707,803
Customer premises equipment	3,391,381	2,871,372
Hubs	3,005,667	3,005,668
Other	457,359	408,579
Construction in process	1,116,373	103,403
<i>Total property and equipment</i>	<i>58,263,378</i>	<i>50,364,088</i>
Less accumulated depreciation	7,391,137	5,690,775
<i>Total property and equipment, net</i>	<i>\$ 50,872,241</i>	<i>\$ 44,673,313</i>

Note 6. Bonds Payable

The District is authorized and empowered under the laws of Vermont to issue bonds for the purpose of constructing a fiber optic network.

In 2016, the District issued \$9.225 million in revenue bonds to refinance a portion of its debt on more favorable terms and to cover 2016 capital expenditures, including the design and make ready for 250 miles of construction in 2017. As part of this issuance, notes payable of \$3,809,498 were repaid. The interest rate on the repaid notes averaged 6.78%. The average interest rate on the 2016 bonds is 5.00%.

In 2017, the District issued \$14.580 million in revenue bonds to refinance the remaining portion of its notes payable on more favorable terms and to cover 2017 capital expenditures, including design and make ready for 250 miles of construction in 2018. As part of this issuance, notes payable of \$3,939,982 were repaid. The interest rate on the repaid notes averaged 8.46%. The average interest rate on the 2017 bonds is 5.84%.

In 2018, the District issued \$8.500 million in revenue bonds to cover 2018 capital expenditures and to extend services to residents and businesses that have requested coverage. The average interest rate on the 2018 bonds is 5.45%.

In 2019, the District issued \$10.000 million in revenue bonds to cover 2019 capital expenditures and to extend services to residents and businesses that have requested coverage. The average interest rate on the 2019 bonds is 4.55%.

EAST CENTRAL VERMONT TELECOMMUNICATIONS DISTRICT
d/b/a ECFiber

NOTES TO FINANCIAL STATEMENTS

In 2020, the District issued \$12.000 million in revenue bonds to cover 2020 capital expenditures and to extend services to residents and businesses that have requested coverage. The average interest rate on the 2020 bonds is 4.33%.

In 2021, the District issued \$9.000 million in revenue bonds to cover 2021 capital expenditures and to extend services to residents and businesses that have requested coverage. The average interest rate on the 2021 bonds is 4.47%.

Table of Individual Bond Details

Series	CUSIP	Principal	Coupon	Issued	Maturity
2016A	271524AA8	\$855,000	4.00%	4/11/2016	12/1/2022
2016A	271524AB6	\$885,000	4.25%	4/11/2016	12/1/2025
2016A	271524AC4	\$1,105,000	4.50%	4/11/2016	12/1/2028
2016A	271524AD2	\$1,350,000	4.50%	4/11/2016	12/1/2031
2016A	271524AE0	\$2,170,000	5.00%	4/11/2016	12/1/2035
2016A	271524AF7	\$2,860,000	5.25%	4/11/2016	12/1/2039
2017A	271524AG5	\$1,460,000	4.50%	4/19/2017	12/1/2023
2017A	271524AH3	\$2,025,000	5.25%	4/19/2017	12/1/2027
2017A	271524AJ9	\$2,475,000	5.75%	4/19/2017	12/1/2031
2017A	271524AK6	\$3,085,000	6.50%	4/19/2017	12/1/2035
2017A	271524AL4	\$5,535,000	6.13%	4/19/2017	12/1/2040
2018A	271524AM2	\$1,030,000	5.38%	8/9/2018	12/1/2025
2018A	271524AN0	\$1,380,000	5.00%	8/9/2018	12/1/2030
2018A	271524AP5	\$2,180,000	5.75%	8/9/2018	12/1/2036
2018A	271524AQ3	\$1,910,000	5.50%	8/9/2018	12/1/2040
2018A	271524AR1	\$2,000,000	5.60%	8/9/2018	12/1/2043
2019A	271524AS9	\$2,125,000	4.00%	12/20/2019	12/1/2030
2019A	271524AT7	\$3,545,000	4.75%	12/20/2019	12/1/2040
2019A	271524AU4	\$4,330,000	5.00%	12/20/2019	12/1/2048
2020A	271524AV2	\$2,010,000	4.00%	12/3/2020	12/1/2030
2020A	271524AW0	\$4,030,000	4.25%	12/3/2020	12/1/2040
2020A	271524AX8	\$5,960,000	4.50%	12/3/2020	12/1/2050
2021A	271524AZ3	\$500,000	4.00%	12/1/2021	12/1/2036
2021A	271524AY6	\$8,500,000	4.50%	12/1/2021	12/1/2044

The bonds payable balance of \$60,840,000 was issued at an overall discount of \$240,066. Each series of bonds are broken up into multiple separate term bonds with varying maturity amounts, interest rates, and yields. The final term bonds of the group mature December 1, 2050.

The District must meet certain financial and non-financial covenants to maintain compliance with the bond agreement.

EAST CENTRAL VERMONT TELECOMMUNICATIONS DISTRICT
d/b/a ECFiber

NOTES TO FINANCIAL STATEMENTS

Maturities of bonds payable at December 31, 2022 are as follows:

	2021A	2020A	2019A	2018A	2017A	2016A	Total
2023	\$ 0	\$ 0	\$ 210,000	\$ 205,000	\$ 430,000	\$ 275,000	\$ 1,120,000
2024	0	250,000	215,000	215,000	465,000	295,000	1,440,000
2025	0	265,000	225,000	230,000	490,000	315,000	1,525,000
2026	0	275,000	235,000	250,000	520,000	340,000	1,620,000
2027	0	285,000	245,000	260,000	550,000	365,000	1,705,000
Thereafter	9,000,000	10,925,000	8,670,000	6,960,000	11,095,000	6,780,000	53,430,000
<i>Total</i>	<u>\$ 9,000,000</u>	<u>\$ 12,000,000</u>	<u>\$ 9,800,000</u>	<u>\$ 8,120,000</u>	<u>\$ 13,550,000</u>	<u>\$ 8,370,000</u>	<u>\$ 60,840,000</u>

Note 7. Notes Payable

Details of outstanding notes payable are as follows as of:
December 31,

	2022	2021
Note payable, collateralized by vehicle, with interest at 3.99%, monthly payments of principal and interest of approximately \$2,115	\$ 0	\$ 8,394
Note payable, collateralized by vehicle, with interest at 4.49%, monthly payments of principal and interest of approximately \$782	0	8,409
Note payable, collateralized by vehicle, with interest at 4.49%, monthly payments of principal and interest of approximately \$695	0	7,474
Note payable, collateralized by vehicle, with interest at 3.30%, monthly payments of principal and interest of approximately \$698, due September 2023	6,196	14,217
Note payable, collateralized by vehicle, with interest at 3.40%, monthly payments of principal and interest of approximately \$2,218, due May 2025	61,674	85,752
Note payable, West Windsor, VT, with interest at 3.00%, semi-annual payments of principal and interest of approximately \$4,514, due October 2035	96,572	102,568
	<u>164,442</u>	<u>226,814</u>
Less amounts due within one year	<u>37,277</u>	<u>56,374</u>
<i>Notes payable, long term</i>	<u><u>\$ 127,165</u></u>	<u><u>\$ 170,440</u></u>

EAST CENTRAL VERMONT TELECOMMUNICATIONS DISTRICT
d/b/a ECFiber

NOTES TO FINANCIAL STATEMENTS

Maturities of notes payable at December 31, 2022 are as follows:

2023	\$	37,277
2024		32,122
2025		17,557
2026		6,753
2027		6,957
Thereafter		63,776
	<u>\$</u>	<u>164,442</u>

Interest expense related to notes and bonds payable at December 31, 2022 breaks down as follows:

	Bond Payable	Notes Payable	Total
Cash paid for interest	\$ 3,076,403	\$ 6,326	\$ 3,082,729
Increase in accrued interest	29,702	0	29,702
	<u>\$ 3,106,105</u>	<u>\$ 6,326</u>	<u>\$ 3,112,431</u>

Interest expense related to notes and bonds payable at December 31, 2021 breaks down as follows:

	Bond Payable	Notes Payable	Total
Cash paid for interest	\$ 2,703,614	\$ 8,005	\$ 2,711,619
Decrease in accrued interest	(20,305)	0	(20,305)
	<u>\$ 2,683,309</u>	<u>\$ 8,005</u>	<u>\$ 2,691,314</u>

Note 8. Concentration and Subsequent Event

The District has a subcontract agreement with ValleyNet, Inc. to design, construct and operate one or more communication plants for the delivery of broadband communications services to and among the District's subscribers. The District is charged under this subcontract agreement, amounts that represent the cost of construction of the District's property and equipment as well as the operating expenses for the services provided. As a result of this subcontract agreement, nearly 67% of the District's total expenses are paid to ValleyNet, Inc.

EAST CENTRAL VERMONT TELECOMMUNICATIONS DISTRICT
d/b/a ECFiber

NOTES TO FINANCIAL STATEMENTS

Subcontract expense related to the ValleyNet, Inc. contract for the years ended December 31, 2022 and 2021 consisted of the following:

December 31,	2022	2021
Cost of goods sold	\$ 1,201,856	\$ 1,111,821
Contract labor and employee expenses	1,551,025	1,069,996
Occupancy	97,939	83,254
Professional fees	41,941	87,808
Utilities	83,491	84,889
Network maintenance	523,360	168,742
Insurance	110,926	95,822
Office supplies	130,813	64,849
Miscellaneous operating expense	168,112	2,887
Customer accommodations	341,014	196,890
Community organizations accommodations	169,389	154,514
Vehicle expenses	26,631	64,472
	\$ 4,446,497	\$ 3,185,944

The District relied on ValleyNet, Inc. to purchase property and equipment on its behalf amounting to \$7,899,290 and \$8,539,818 for the years ended December 31, 2022 and 2021, respectively.

Subsequent to year end, ValleyNet, Inc. transferred all of its staff and operating responsibilities to GWI Vermont who has assumed this subcontract agreement with the District.

Note 9. Prior Period Adjustments

During the current year, the District became aware of fraud that occurred at ValleyNet, Inc. that ultimately impacted the carrying value of certain assets and liabilities on the books of the District. The District also required a prior period adjustment to record a note payable to West Windsor Vermont for their portion of the fiber network. The fund net position as of January 1, 2021, was increased by \$446,800 and fund net position for the year ended December 31, 2021, was increased by \$25,783 due to these corrections as follows:

Decrease in property and equipment, net	\$ (470,739)
Decrease in accounts payable	391,295
Decrease in amounts due to ValleyNet, Inc.	628,812
Increase in notes payable	(102,568)
	<hr/>
Prior period adjustment	\$ 446,800

**EAST CENTRAL VERMONT TELECOMMUNICATIONS DISTRICT
d/b/a ECFiber****NOTES TO FINANCIAL STATEMENTS**

Note 10. Commitments

The District was awarded a federal contract for Rural Digital Opportunity Fund (RDOF) support to provide voice and 1 Gbps/500Mbps broadband services to locations in Vermont and New Hampshire. Under this agreement the District is entitled to monthly payments of \$20,318 for 10 years and has certain grant milestones that need to be met starting in 2025. The District has entered into a contract with LymeFiber to deploy these services to the New Hampshire blocks. The District will reimburse LymeFiber for its reasonable and documented costs incurred in meeting the RDOF Obligation in the New Hampshire blocks. Amounts received under this grant by the District during the year amounted to \$81,275 and amounts paid to LymeFiber amounted to \$18,583, which was reduced by a 10% administration fee.

This agreement contains two irrevocable standby letters of credit amounting to \$36,000 and \$209,000, respectively. These are secured by certificates of deposit and are subject to an automatic annual renewal.

Note 11. Subsequent Events

The District has evaluated subsequent events through April 27, 2023, the date which the financial statements were available to be issued and have not evaluated subsequent events after that date. Subsequent to year end the District entered into a long-term lease for office space. Except for this lease and the changes explained in Note 8, no other subsequent events were identified that would require disclosure in the consolidated financial statements for the year ended December 31, 2022.

EAST CENTRAL VERMONT TELECOMMUNICATIONS DISTRICT
d/b/a ECFiber

STATEMENT OF BUDGETARY COMPARISON
Year Ended December 31, 2022

	Budget	Actual
OPERATING REVENUES:		
Service revenue	\$ 10,279,781	\$ 9,697,463
Installation and activation revenue	269,863	304,570
Grant income	5,733,000	409,007
Miscellaneous income	0	26,609
	<hr/>	<hr/>
	16,282,644	10,437,649
	<hr/>	<hr/>
OPERATING EXPENSES:		
Subcontractor expense	5,612,057	4,446,497
Professional fees	66,000	271,705
Service fees	0	72,285
Depreciation expense	1,800,000	1,700,362
Bank charges	99,452	125,365
Bad debt expense	31,438	25,314
	<hr/>	<hr/>
<i>Total operating expenses</i>	7,608,947	6,641,528
	<hr/>	<hr/>
<i>Operating income</i>	8,673,697	3,796,121
	<hr/>	<hr/>
NONOPERATING INCOME (EXPENSE):		
Interest income	2,000	125,107
Bond origination fees	(160,000)	0
Original issue discount	0	0
Amortization, note prepayment premium	(122,035)	(82,882)
Contributions	0	0
Interest expense, bond	(3,064,370)	(3,106,105)
Interest expense, notes	(5,317)	(6,326)
	<hr/>	<hr/>
<i>Increase in fund net position</i>	\$ 5,323,975	\$ 725,915
	<hr/>	<hr/>

EAST CENTRAL VERMONT TELECOMMUNICATIONS DISTRICT
d/b/a ECFiber

STATEMENT OF BUDGETARY COMPARISON
Year Ended December 31, 2021

	Budget	Actual
OPERATING REVENUES:		
Service revenue	\$ 8,615,728	\$ 8,307,209
Installation and activation revenue	531,011	386,527
Grant income	2,000	186,179
Miscellaneous income	0	8,245
	<u>9,148,739</u>	<u>8,888,160</u>
OPERATING EXPENSES:		
Subcontractor expense	4,111,130	3,185,944
Contributions	0	100,000
Professional fees	34,000	99,468
Service fees	0	49,115
Depreciation expense	1,400,000	1,487,664
Bank charges	90,083	93,937
Bad debt expense	25,000	9,525
	<u>5,660,213</u>	<u>5,025,653</u>
<i>Total operating expenses</i>		
	<u>5,660,213</u>	<u>5,025,653</u>
<i>Operating income</i>	<u>3,488,526</u>	<u>3,862,507</u>
NONOPERATING INCOME (EXPENSE):		
Interest income	34,569	1,851
Bond origination fees	(220,000)	(157,622)
Original issue discount	0	(37,350)
Amortization, note prepayment premium	(122,035)	(121,469)
Interest expense, bond	(2,636,001)	(2,283,998)
Interest expense, notes	(8,790)	(407,316)
	<u>\$ 536,269</u>	<u>\$ 856,603</u>
<i>Increase in fund net position</i>		

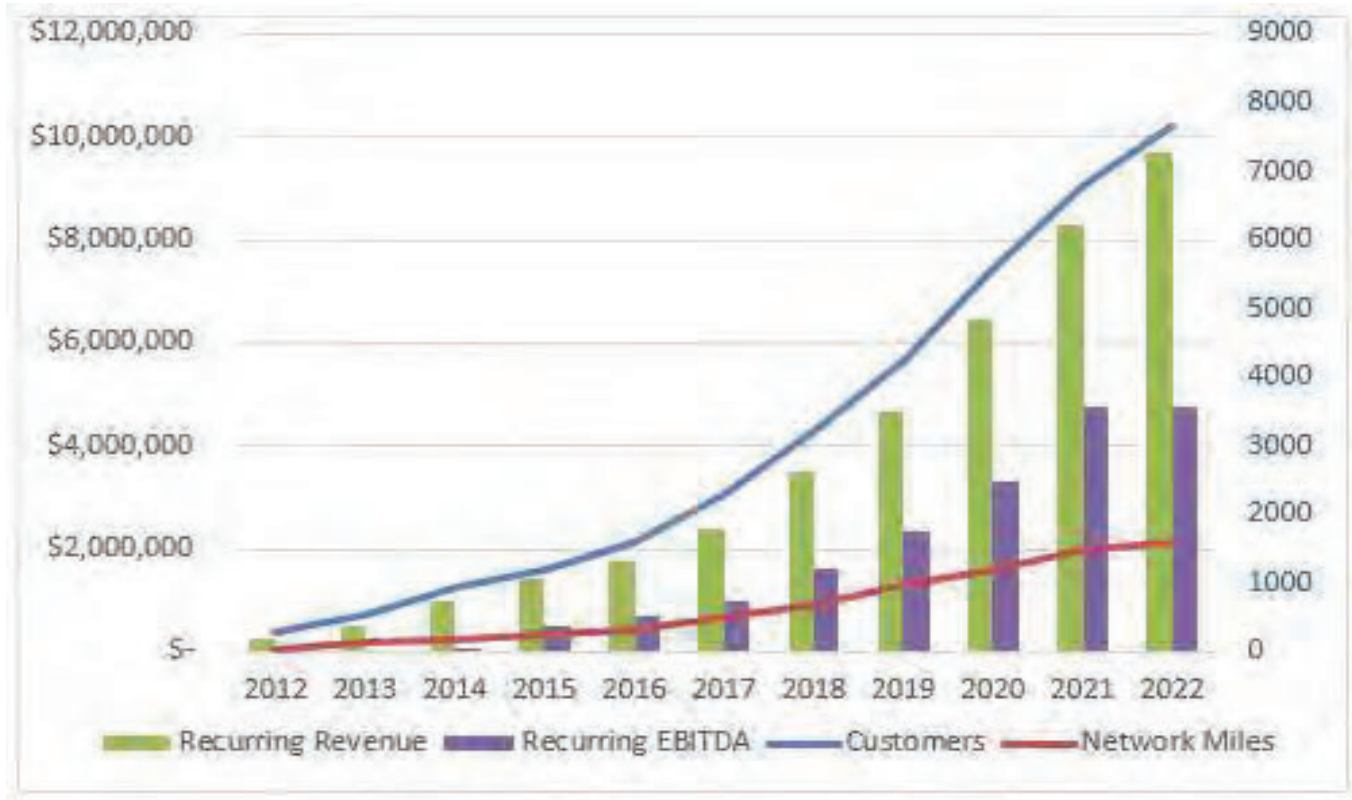
EAST CENTRAL VERMONT TELECOMMUNICATIONS DISTRICT
d/b/a ECFiber

STATISTICAL SECTION - FINANCIAL TRENDS
For the Five Years Ended December 31, 2022

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Operating revenues	\$ 3,880,984	\$ 5,136,920	\$ 7,810,893	\$ 8,888,160	\$ 10,437,649
Operating expenses	2,482,426	3,160,099	4,238,737	5,025,653	6,641,528
Nonoperating expenses	1,755,083	1,963,654	2,600,893	3,005,904	3,070,206
<i>Increase (decrease) in fund net position</i>	(356,525)	13,167	971,263	856,603	725,915
Interest income, bond origination, and Original Issue Discount	166,229	72,453	189,513	193,121	(125,107)
Depreciation and amortization expense	726,931	931,164	1,181,613	1,609,133	1,783,244
Interest expense	1,466,819	1,769,166	2,289,345	2,691,314	3,112,431
<i>Earnings before interest, taxes, depreciation and amortization (EBITDA)</i>	\$ 2,003,454	\$ 2,785,950	\$ 4,631,734	\$ 5,350,171	\$ 5,496,483
Number of customers	3,215	4,239	5,584	6,790	7,667
Number of Lit fiber miles	685	981	1,189	1,499	1,585
Gross capital expenditures per year, net of disposals	\$ 7,791,978	\$ 7,263,728	\$ 12,745,966	\$ 8,674,818	\$ 7,899,290
Gross capital expenditures - cumulative	\$ 21,679,576	\$ 28,943,304	\$ 41,689,270	\$ 50,364,088	\$ 58,263,378
Capital expenditures per mile	\$ 31,649	\$ 29,504	\$ 35,062	\$ 33,598	\$ 36,759
Capital expenditures per customer	\$ 6,743	\$ 6,828	\$ 7,466	\$ 7,417	\$ 7,599
Customers per mile	4.7	4.3	4.7	4.5	4.8
Average service revenue per month per customer	\$ 105.88	\$ 104.25	\$ 109.49	\$ 111.89	\$ 111.80

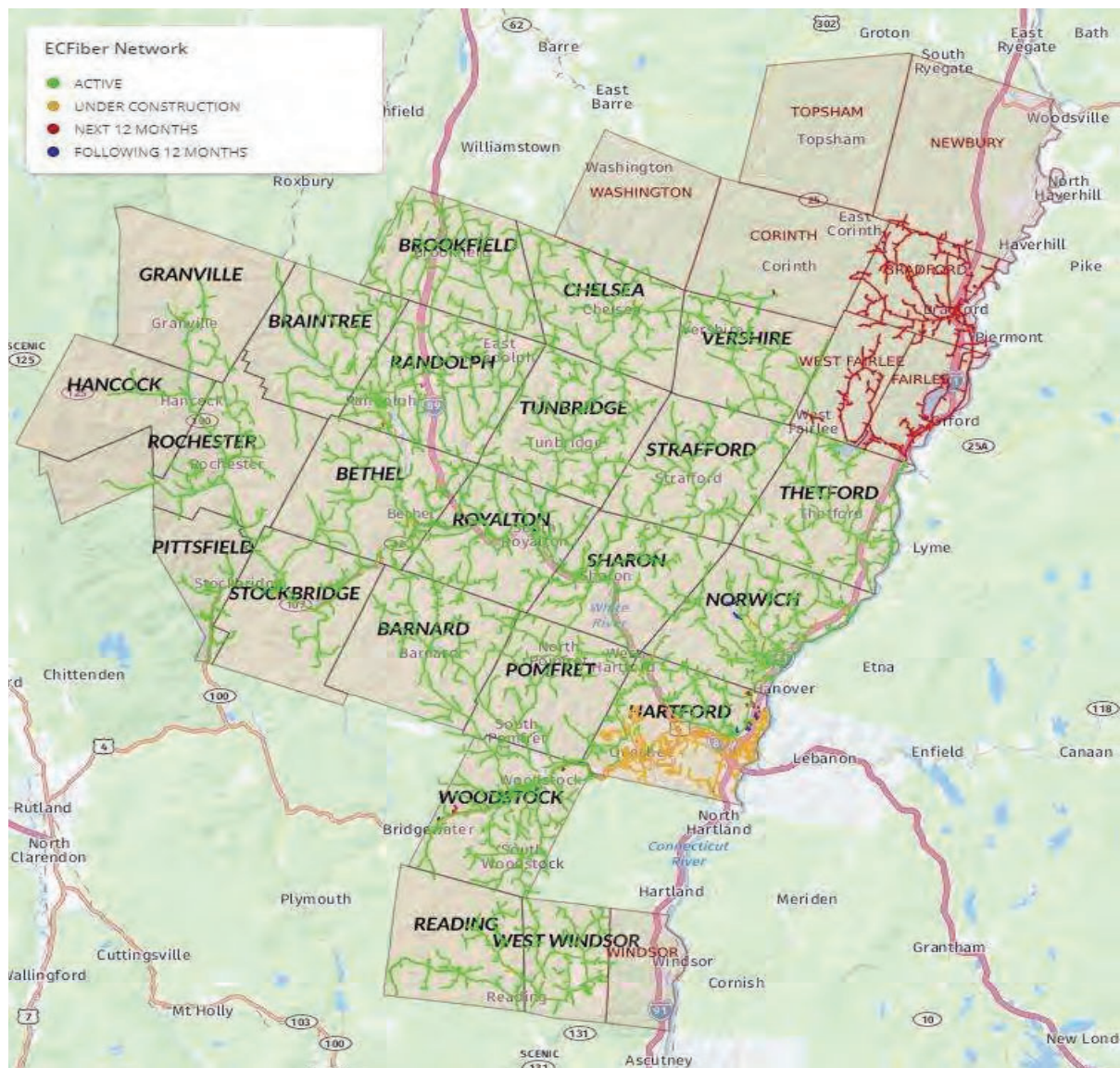
EAST CENTRAL VERMONT TELECOMMUNICATIONS DISTRICT
d/b/a ECFiber

STATISTICAL SECTION - HISTORICAL RESULTS
For the Year Ended December 31, 2022



EAST CENTRAL VERMONT TELECOMMUNICATIONS DISTRICT
d/b/a ECFiber

STATISTICAL SECTION - MAP OF COVERED TOWNS & SERVICE TIERS/RATES
For the Year Ended December 31, 2022



District territory showing Member Towns – Green lines are active network; gold under construction; red being built starting 2023; shaded towns without lines build begins 2024.

Current Service Offerings and Rates				
Service Per Month	Residential		Business	
	Mbps	Price	Mbps	Price
Basic	75	\$72	75	\$90
Standard	300	\$104	300	\$124
Ultra	not offered		500	\$159
Wicked	1000	\$134	1000	\$250
Phone Lines*		\$25		\$35
Static IP Address	not offered			\$7
*per line, plus applicable taxes, fees, and international calls				

EAST CENTRAL VERMONT TELECOMMUNICATIONS DISTRICT
d/b/a ECFiber

STATISTICAL SECTION - PREMISES CONNECTIONS & DISCONNECTIONS
For the Year Ended December 31, 2022

Year	Customers		Net	Net Premises Disconnected		Churn Rate Based on Avg Customers	
	Beginning	End		Cumulative Total	Per year/period	Monthly	Annualized
2011	0	126	126	0	0	0.00%	0.00%
2012	126	298	172	-9	-9	-0.35%	-4.25%
2013	298	552	254	-13	-4	-0.08%	-0.94%
2014	552	947	395	-41	-28	-0.31%	-3.74%
2015	947	1,201	254	-40	1	0.01%	0.09%
2016	1,201	1,589	388	-37	3	0.02%	0.22%
2017	1,589	2,282	693	-43	-6	-0.03%	-0.31%
2018	2,282	3,215	933	-114	-71	-0.22%	-2.58%
2019	3,215	4,239	1,024	-192	-78	-0.17%	-2.09%
2020	4,239	5,584	1,345	-244	-52	-0.09%	-1.06%
2021	5,584	6,790	1,206	-300	-56	-0.08%	-0.91%
2022	6,790	7,667	877	-429	-129	-0.15%	-1.78%
2011-2022	0	7,667	7,667	-429	-129	-0.08%	-0.93%

EAST CENTRAL VERMONT TELECOMMUNICATIONS DISTRICT
d/b/a ECFiber

STATISTICAL SECTION - POPULATION AND MEDIAN HOUSEHOLD INCOME
AND RESIDENTIAL PENETRATION BY NETWORK MATURITY
For the Year Ended December 31, 2022

Town	Pop. 2020	Median Income 2021	Residential Premises	Customers as of 3/30/2023	Penetration
<i>Original 23 Member Towns</i>					
Network complete before 2018:					
BARNARD	992	\$73,621	759	501	66%
BETHEL	1,942	\$65,768	960	298	31%
BRAINTREE	1,207	\$66,319	676	227	34%
BROOKFIELD	1,244	\$67,212	720	364	51%
GRANVILLE	301	\$51,250	256	103	40%
HANCOCK	359	\$64,449	207	104	50%
PITTSFIELD	504	\$58,382	391	276	71%
POMFRET	916	\$86,250	569	391	69%
ROCHESTER	1,099	\$62,941	768	287	37%
STOCKBRIDGE	718	\$71,250	560	290	52%
STRAFFORD	1,094	\$98,083	608	432	71%
THETFORD	2,775	\$81,750	1,297	899	69%
VERSHIRE	672	\$62,333	437	196	45%
WEST WINDSOR	1,344	\$94,300	711	350	49%
Mature Towns Totals	15,167		8,919	4,718	53%
Network completed 2019-2022:					
CHELSEA	1,233	\$59,821	684	197	29%
NORWICH	3,612	\$121,509	1,477	550	37%
RANDOLPH	4,774	\$70,000	1,780	467	26%
READING	687	\$66,500	476	149	31%
ROYALTON	2,750	\$67,000	1,226	483	39%
SHARON	1,560	\$76,293	723	405	56%
TUNBRIDGE	1,337	\$68,929	793	349	44%
WOODSTOCK	3,005	\$104,716	1,678	358	21%
New Growth Towns	18,958		8,837	2,958	33%
22 Town Metrics	34,125		17,756	7,676	43%
Network under construction					
HARTFORD	10,686	\$61,678	4,347	91	2%
Pre Growth Towns	10,686		4,347	91	2%
23 Original Town Metrics	44,811		22,103	7,767	35%

Source: Customer subscription data as of March 30, 2023

EAST CENTRAL VERMONT TELECOMMUNICATIONS DISTRICT
d/b/a ECFiber

STATISTICAL SECTION - POPULATION AND MEDIAN HOUSEHOLD INCOME
AND RESIDENTIAL PENETRATION BY NETWORK MATURITY
For the Year Ended December 31, 2022

<i>New 8 Member Towns admitted 2020</i>					
Town	Pop. 2020	Median Income 2021	Residential Premises	Customers as of 3/30/2023	Penetration
Network under construction					
BRADFORD	2,790	\$66,100	1,122		
FAIRLEE	988	\$53,767	604	6	
NEWBURY	2,293	\$60,867	1,300		
WEST FAIRLEE	621	\$69,821	403	48	
Under Construction	6,692		3,429	54	
Construction planned for 2024					
CORINTH	1,455	\$67,434	881	21	
TOPSHAM	1,199	\$67,557	737		
WASHINGTON	1,032	\$63,417	610		
WINDSOR	3,559	\$44,761	1,321	3	
Planned	7,245		3,549	24	
Incidental customers in bordering towns					
BRIDGEWATER				20	
CHITTENDEN				1	
HARTLAND				7	
NORTHFIELD				1	
ROXBURY				17	
WILLIAMSTOWN				1	
Border Areas	-			47	
District Total	58,748		29,081	7,892	27%

Appendix B-1

General Bond Resolution, as amended

EAST CENTRAL VERMONT TELECOMMUNICATIONS DISTRICT

GENERAL BOND RESOLUTION

Adopted March 8, 2016

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EAST CENTRAL VERMONT TELECOMMUNICATIONS DISTRICT

GENERAL BOND RESOLUTION

Be It Resolved by the East Central Vermont Telecommunications District and the Governing Board thereof as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. Unless the context clearly indicates some other meaning, the terms defined in this Section, when used in this Resolution or any Supplemental Resolution, have the following meanings:

(A) “Act” means collectively, Chapter 82 of Title 30, Vermont Statutes Annotated, Section 21 of No. 41 of the Acts of 2015, and Subchapter 2 of Chapter 53 of Title 24, Vermont Statutes Annotated.

(B) “Additional Bonds” means Bonds other than the initial Series of Bonds issued under the Resolution.

(C) “Authorized Officer” means the Chair, Vice-Chair or General Manager of the District or any other person designated by the Board.

(D) “Board” means the Governing Board of the District or an officer or board succeeding to its powers.

(E) “Bonds” means the Project Revenue Bonds issued from time to time under Sections 2.1, 2.2 and 2.3.

(F) “Bondholder” or “holder of a Bond” means any person who shall be the registered owner of any Outstanding Bond or Bonds.

(G) “Bond Insurer” means with respect to any Series of Bonds, the municipal bond insurance company (if any) identified in a Supplemental Resolution, and its successors and assigns.

(H) “Bond Insurance” means with respect to any Series of Bonds, the municipal bond insurance policy (if any) identified in a Supplemental Resolution.

(I) “Bond Year” means the twelve-month period commencing on January 1 of each year.

(J) “Code” means the Internal Revenue Code of 1986, as amended, and the Regulations promulgated thereunder.

(K) “Construction Fund” means the Project Construction Fund created by Section 5.7.

(L) “Costs of Acquisition and Construction” means all costs of determining the feasibility of and acquiring, constructing, financing, carrying out and placing in operation or disposing of the Project paid or incurred by the District, including without limit:

- (1) reserves for capital or current expenses deemed necessary or desirable by the District, including working capital;
- (2) interest accruing in whole or in part on Bonds or Notes prior to and during the acquisition and construction of the Project and for such additional period as the District may determine in accordance with the Resolution;
- (3) costs of energy, energy assemblies and components, or interests therein, equipment and supplies, and reserves therefor;
- (4) deposits in any fund or account to meet requirements established pursuant to the Resolution for reserves for debt service, renewals, replacements and contingencies, and for decommissioning or termination;
- (5) taxes and payments in lieu of taxes and costs relating to injury and damage claims arising out of the acquisition and construction of the Project;
- (6) payment of the principal of, premium, if any, and interest on Notes;
- (7) payments to public agencies, fees and expenses of trustees, legal, insurance, administrative, engineering, consulting and financing costs (including premiums for Bond Insurance or other municipal bond insurance), and any other costs properly attributable to the acquisition and construction of the Project and carrying out and placing the same in operation; and
- (8) payment of or reimbursement for capital expenditures payable in respect of the Project.

(M) “Date of Commercial Operation” means the date a Project is first ready for normal continuous operation, as determined by the District and certified to the Trustee.

(N) “Debt Service” means with respect to each Bond Year or other period the aggregate of the amounts to be set aside (or estimated to be required to be set aside) in the Debt Service Fund pursuant to Section 5.2(A), (B) and (C) in the Bond Year or such other period for the payment of the principal or redemption price of and interest on Bonds, excluding amounts paid or to be paid from Bond proceeds or from earnings thereon.

(O) “Debt Service Fund” means the Project Debt Service Fund created by Section 5.2.

(P) “Debt Service Reserve Fund” means the Project Debt Service Reserve Fund created by Section 5.3.

(Q) “Debt Service Reserve Fund Requirement” means as of any date of calculation an amount equal to the sum of the amounts determined at the time of issue of each Series of Bonds

issued hereunder (but only including the Series of Bonds Outstanding at the time of calculation) as the lesser of (i) maximum annual Debt Service on Outstanding Bonds during the then current or any future Fiscal Year, (ii) 125% of the average annual Debt Service on Outstanding Bonds, or (iii) 10% of the aggregate proceeds of all Outstanding Bonds upon original issuance thereof, or a lesser amount as established in a Supplemental Resolution. With regard to Debt Service on Variable Rate Bonds, see Section 2.7.

(R) “District” means the East Central Vermont Telecommunications District, a body corporate and politic, or any other instrumentality of the State which hereafter shall succeed to the powers of the District.

(S) “Event of Default” means an Event of Default as defined in Section 8.1.

(T) “Exempt Obligations” means any of the following:

(1) an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, the interest on which is excludable from gross income under Section 103 of the Code, which is not a “specified private activity bond” within the meaning of Section 57(a)(5) of the Code and which, at the time an investment therein is made or such obligation is deposited in any fund or account hereunder, is rated, without regard to qualification of such rating by symbols such as “+” or “-” and numerical notation, no lower than the second highest rating category for such obligation by at least one Rating Service;

(2) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing; and

(3) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, wholly comprised of any of the foregoing obligations.

(U) “Federal Agency Obligation” means any of the following:

(1) an obligation issued by any federal agency or instrumentality approved by the District;

(2) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by a federal agency approved by the District;

(3) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, any of the foregoing; and

(4) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a – 7 of the Investment Company Act of 1940, as amended, wholly comprised of any of the foregoing obligations.

(V) “Expense Fund” means the Expense Fund created by Section 5.10.

(W) “Fiscal Year” means the fiscal year of the District as established from time to time. The Fiscal Year is now the twelve-month period ending December 31.

(X) “Government Obligation” means any of the following:

(1) a direct obligation of the United States of America;

(2) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by the United States of America;

(3) an obligation to which the full faith and credit of the United States of America are pledged;

(4) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, any of the foregoing; and

(5) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a – 7 of the Investment Company Act of 1940, as amended, wholly comprised of any of the foregoing obligations.

(Y) “Interest Account” means the Interest Account created in the Debt Service Fund by Section 5.2.

(Z) “Investment Securities” means any of the following, if and to the extent that they are legal for the investment of funds of the District:

(1) Government Obligations;

(2) Federal Agency Obligations;

(3) Exempt Obligations;

(4) uncollateralized certificates of deposit or deposit accounts that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State;

(5) collateralized certificates of deposit or deposit accounts that are (a) issued by a banking organization authorized to do business in the State that has an equity capital of not less than \$125,000,000, whose unsecured senior debt, or debt obligations fully

secured by a letter or credit, contract, agreement or surety bond issued by it, are rated by at least one Rating Service in at least the second highest rating category, and (b) fully collateralized by Permitted Collateral;

(6) commercial paper issued by a domestic corporation rated in the highest short term rating category by at least two Rating Services and having maturities of not longer than two hundred seventy (270) days from the date of purchase;

(7) bankers' acceptances issued by a bank rated in the highest short term rating category by at least two Rating Services and having maturities of not longer than three hundred sixty-five (365) days from the date they are purchased;

(8) Investment Agreements that are fully collateralized by Permitted Collateral; and

(9) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a – 7 of the Investment Company Act of 1940, as amended, whose objective is to maintain a constant share value of \$1.00 per share and that is rated in the highest short term rating category by at least one nationally recognized rating organization.

(AA) “Moody’s” means Moody’s Investors Service, Inc., or any of its successors or assigns.

(BB) “Notes” means notes or other evidences of indebtedness of the District (other than Bonds) issued to finance the Project.

(CC) “Operating Agreement” means the Operating Agreement dated February 22, 2016 between the District and ValleyNet, as may be amended.

(DD) “Operating Earnings” means Revenues less Operating Expenses.

(EE) “Operating Expenses” means the ordinary costs and expenses of the District for the operation, maintenance and repair of the Project, except capital expenditures, interest, income taxes, depreciation, amortization, direct compensation due the management company under the Operating Agreement, and taxes and assessments collected on behalf of other governmental entities.

(FF) “Outstanding” has the meaning set forth in Section 11.1, i.e. a Bond shall not be Outstanding under the Resolution if the Bond is at the time not deemed to be Outstanding under the Resolution pursuant to Section 11.1.

(GG) “Permitted Collateral” means any of the following:

(1) Government Obligations described in clauses (1), (2) or (3) of the definition of Government Obligation;

(2) Federal Agency Obligations described in clauses (1) or (2) of the definition of Federal Agency Obligation;

(3) commercial paper that (a) matures within two hundred seventy (270) days after its date of issuance, (b) is rated in the highest short term rating category by at least one Rating Service and (c) is issued by a domestic corporation whose unsecured senior debt is rated by at least one Rating Service no lower than in the second highest rating category;

(4) financial guaranty agreements, surety or other similar bonds or other instruments of an insurance company that has an equity capital of at least \$125,000,000 and is rated by Bests Insurance Guide or a Rating Service in the highest rating category; and

(5) bankers' acceptances issued by a bank rated in the highest short term rating category by at least one nationally recognized rating organization and having maturities of not longer than three hundred sixty-five (365) days from the date they are pledged.

(6) Exempt obligations described in clauses (1), (2), or (3) of the definition of Exempt Obligations.

(HH) "Outstanding Notes" means the Notes remaining outstanding after the issuance of the Series 2016 Bonds, except the Series 2011 C Subordinate Notes.

(II) "Principal Account" means the Principal Account created in the Debt Service Fund by Section 5.2.

(JJ) "Project" means any acquisition of land, site development, construction, improvement, extension, betterment, addition, alteration, reconstruction, extraordinary repair, equipping or reequipping of or to a communications plant dedicated to the delivery by the District of communications services as provided in the Act, and the associated land, facilities and equipment, or any combination of the foregoing.

(KK) "Rating Service" means each of Moody's, S&P and Fitch Ratings, Inc., or their respective successors or assigns.

(LL) "Rebate Fund" means the Project Rebate Fund created by Section 5.5.

(MM) "Rebate Year" means with respect to each Series of Bonds issued under the Resolution, each twelve month period beginning on the date of delivery of such Series of Bonds and thereafter on each anniversary of such date of delivery.

(NN) "Redemption Fund" means the Redemption Fund created by Section 5.9.

(OO) "Reserve and Contingency Fund" means the Project Reserve and Contingency Fund created by Section 5.4.

(PP) “Reserve and Contingency Fund Requirement” means an amount equal to \$50,000 plus \$200 per mile of Project telecommunications service line in excess of 235 miles, as periodically calculated as provided in Section 5.4.

(QQ) The “Resolution” or this “Resolution” means this Resolution as amended or supplemented from time to time by Supplemental Resolutions.

(RR) “Revenue Fund” means the Project Number Ten Revenue Fund created by Section 5.1.

(SS) “Revenues” means all payments, fees, charges, proceeds, rents, receipts, profits and other income derived by or for the account of the District from or related to a Project and the sale of communications services therefrom including without limit: (i) all interest, profits or other income from the investment of any moneys held pursuant to the Resolution; (ii) proceeds from any sale, lease, decommissioning or other disposition of the Project or a portion thereof; (iii) all grant revenues received for capital projects which have been completed by the District, provided that the grant proceeds are not donor restricted from inclusion as Revenues; and (iv) proceeds of insurance and condemnation awards in respect of the Project.

(TT) “S&P” means Standard & Poor’s Ratings Services, or any of its successors or assigns.

(UU) “Serial Bonds” means Bonds other than Term Bonds. Payment of principal on Serial Bonds is provided from the Principal Account.

(VV) “Series” or “Series of Bonds” or “Bonds of a Series” means a series of Bonds authorized by the Resolution.

(WW) “Series 2011 C Subordinate Notes” means the Notes that were issued in 2011 that are subordinate to the Outstanding Notes, the Series of Bonds issued under the First Supplemental Resolution, and any parity indebtedness issued pursuant to Section 2.5 of this General Bond Resolution.

(XX) “Series 2016A Bonds” means the Bonds issued or to be issued under the Project Revenue Bonds, Series 2016A Supplemental Resolution.

(YY) “Sinking Fund Account” means the Sinking Fund Account created in the Debt Service Fund by Section 5.2.

(ZZ) “State” means the State of Vermont.

(AAA) “Supplemental Resolution” means a resolution adopted by the District under Article II providing for the issuance of Bonds or under Article IX amending or supplementing the Resolution.

(BBB) “Taxable Bonds” means any Bond or Series of Bonds which are designated as such in the Supplemental Resolution providing for their issuance, the interest on which is not excluded from gross income for federal income tax purposes.

(CCC) “Term Bonds” means Bonds designated as such in the Supplemental Resolution providing for the issuance of such Bonds. A Series of Bonds may include both Serial and Term Bonds and may include more than one set of Term Bonds, each of which has its own maturity date. Payment of principal on Term Bonds is provided from the Sinking Fund Account.

(DDD) “Trustee” means the trustee appointed by Section 6.1 and its successors as such.

(EEE) “Variable Rate Bonds” means Bonds issued under this Resolution and described in Section 2.7 hereof.

ARTICLE II

AUTHORIZATION AND ISSUANCE OF BONDS

Section 2.1. Authorization of Bonds and Pledge. The District may issue Bonds under this Resolution to be known as “Project Revenue Bonds.” The Bonds shall be issued from time to time in series as the Board may deem necessary or advisable. As security for the payment of the principal of and redemption premium, if any, and interest on the Bonds, the District hereby pledges and grants a security interest in (i) all Revenues, and (ii) all moneys and securities in all Funds and Accounts created by or pursuant to the Resolution and the proceeds thereof, whether any of the foregoing is now existing or is hereafter acquired, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution. The provisions of the Resolution shall be a part of and shall constitute a contract by the District with the Bondholders. The Bonds shall be special obligations of the District payable solely from and secured solely by the Revenues or moneys and securities of the District pledged hereunder for the payment thereof. The Bonds are equally and ratably secured by the pledge of the Resolution, and the undertakings of the District in the Resolution are for the equal and proportionate benefit of the Bondholders, except as otherwise expressly provided in the Resolution. The Revenues, moneys or securities hereby pledged shall immediately be subject to the lien of the pledge without any physical delivery or further act, which pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the District, irrespective of whether those parties have notice thereof.

Section 2.2. General Provisions for Issuance of Bonds. (A) Each Series of Bonds shall be issued under a Supplemental Resolution adopted by the Board pursuant to this Article and Article IX. The Supplemental Resolution shall designate the Bonds by an appropriate series designation in addition to the title “Project Revenue Bonds,” and shall also specify: (1) the authorized principal amount of the Series of Bonds; (2) the purpose or purposes for which the Series of Bonds is being issued; (3) the date of the initially issued Bonds of the Series; (4) the Bonds which are designated as Term Bonds (if any) and the maturity dates and sinking fund installment dates of the Bonds; (5) the interest payment dates for the Bonds; (6) the interest rate or rates of the Bonds, or the manner of determining the rate or rates; (7) the redemption prices of the Bonds; (8) the place or places of payment of the Bonds; (9) the provisions for the sale of the Bonds; (10) whether any of the Bonds are being issued as Taxable Bonds; (11) any other provisions which may be required to be inserted by other provisions of the Resolution; and (12) any other necessary or desirable provision not in conflict with the provisions of the Resolution.

Notwithstanding anything to the contrary, the foregoing matters may be covered for a Series of Bonds by either one or more than one Supplemental Resolution.

(B) Bonds shall be issued only upon receipt by the Trustee of:

(1) A written order of an Authorized Officer directing the Trustee to deliver such Bonds, stating the amounts to be deposited in the Funds and Accounts pursuant to Section 2.4, and providing a schedule of amounts (if any) representing capitalized interest to be retained in the Interest Account after specified interest payment dates;

(2) A copy of the Supplemental Resolution providing for the issuance of the Bonds certified by an Authorized Officer;

(3) An opinion of counsel to the District to the effect that the Resolution and the applicable Supplemental Resolution have been duly adopted by the District, are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms; that the Resolution creates the valid pledge which the Resolution purports to create subject to the provisions of the Resolution; and that the Bonds of such Series are valid and binding special obligations of the District, secured by the Resolution, enforceable in accordance with their terms, and entitled to the benefits of the Act and the Resolution; which opinion may take an exception on account of laws enacted for the relief of debtors and the exercise of judicial discretion in enforcing the Bonds and the Resolution; and

(4) An amount of the proceeds of such Bonds or other moneys such that after the issuance of the Bonds the amounts on deposit in the Debt Service Reserve Fund shall equal the Debt Service Reserve Fund Requirement.

Section 2.3. Conditions for the Issuance of Additional Bonds. (A) Additional Bonds may be issued to pay Costs of Acquisition and Construction upon filing with the Trustee of (1) a statement by an Authorized Officer of amounts expected to be available to pay Costs of Acquisition and Construction, and (2) the District's estimate of the Date of Commercial Operation, the then estimated Costs of Acquisition and Construction, the amount theretofore expended to pay such Costs of Acquisition and Construction and the balance which will be necessary, taking into account amounts then available, to complete payment of Costs of Acquisition and Construction, and the times of payment.

(B) Additional Bonds may be issued to pay the costs of:

(1) renewals, replacements, extraordinary repairs, modifications, additions and betterments for the Project (i) necessary to achieve design capability, (ii) required by any public agency, or (iii) which, in the opinion of the District, are necessary or desirable to improve operating reliability of, or to reduce power costs from, the Project; or

(2) any retirement from service, decommissioning or termination of the Project, except to the extent that such costs are paid from insurance proceeds;

upon filing with the Trustee of a statement by an Authorized Officer of amounts expected to be available for any of the foregoing purposes from reimbursement or insurance proceeds or otherwise.

(C) Additional Bonds may be issued to refund any Bonds in the event, in the opinion of the District, it may otherwise be advantageous.

(D) Additional Bonds shall be issued only upon filing with the Trustee of (1) an Authorized Officer's certificate that to the best of the signer's knowledge and belief no Event of Default exists and (2) a certificate of the Trustee that there is no Event of Default of which it has actual knowledge.

(E) Obligations issued by the District secured by purchase-money security interests shall not be deemed to be Additional Bonds.

Section 2.4. Disposition of Bond Proceeds. Upon the delivery of a Series of Bonds the proceeds shall be paid to the Trustee and applied as follows:

(A) The amount (if any) necessary to increase the amount on deposit in the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement shall be deposited in the Debt Service Reserve Fund.

(B) Accrued interest and any capitalized interest to be paid from the original proceeds of the Bonds shall be deposited in the Interest Account.

(C) The amount (if any) determined by the District in the Supplemental Resolution providing for the issuance of the Bonds to be deposited in the Reserve and Contingency Fund shall be deposited in the Reserve and Contingency Fund.

(D) The balance of the proceeds shall be deposited in the Construction Fund or, in the event that any Bonds are issued for the purpose specified in Section 2.3(C), as provided in the Supplemental Resolution.

Section 2.5. Parity Bonds. Any Additional Bonds, Notes or other evidences of indebtedness to be issued will be on a parity with the Series of Bonds issued under the first Supplemental Resolution adopted hereunder, and all other previously issued Additional Bonds as to the lien on Revenues (the "Parity Bonds") provided the District can demonstrate in certificate filed with the Trustee that the District's Operating Earnings for the prior fiscal year exceeds by 125% the annual debt service due in the District's next fiscal year on (1) the Outstanding Notes, (excluding the change in accredited value of the zero coupon Notes), (2) the Series of Bonds issued under the First Supplemental Resolution, (3) all other outstanding parity indebtedness, and (4) the Additional Bonds to be issued. For purposes of this test, Operating Earnings may include proforma annual Operating Earnings reasonably anticipated to be earned as a result of completion of a Project expansion or extension financed with the proceeds of Additional Bonds.

Section 2.6. Subordinate Lien Obligations; Other Obligations. (A) Nothing in the Resolution shall prohibit the District from issuing bonds, notes or other evidences of indebtedness payable in accordance with Section 5.1(B) from the Revenue Fund and the

Revenues for any of its corporate purposes, subordinate to the deposits and credits required to be made from the Revenue Fund to other Funds and Accounts under the Resolution and to the payments required for Operating Expenses, and may secure the bonds, notes or other evidences of indebtedness by a pledge of the Revenues subordinate and inferior to the pledge of the Revenues created by the Resolution. The proceeds of the subordinate obligations may be pledged as security for the subordinate obligations free and clear of the lien of the Resolution.

(B) The District expressly reserves the right to adopt one or more other general bond resolutions and reserves the right to issue other obligations so long as the same are not a charge or lien on the Revenues and other moneys or securities pledged hereunder.

Section 2.7. Variable Rate Bonds. A Supplemental Resolution providing for issuance of a Series of Bonds may provide for the Bonds to bear interest at a variable rate or rates so long as it specifies: (1) the manner of determining the interest rate or rates and (2) a maximum rate or rates at which the Bonds may bear interest. If Bonds of a Series bear interest at a variable rate, the Debt Service Reserve Fund Requirement shall be calculated by using the maximum rate or rates so specified. For purposes of calculating the payments into the Interest Account in the Debt Service Fund pursuant to Section 5.2, the interest accrued or estimated to accrue for the calendar month in which the payment is to be made shall be the amount of the required payment, subject in the case of an estimate to an adjustment at the end of the month.

Section 2.8. Notes. The District may by resolution authorize the issuance of Notes (and renewals thereof) in anticipation of the issuance of Bonds of a Series. The principal and interest on such Notes and renewals thereof shall be payable from any moneys of the District available therefor, from the proceeds of such Notes or from the proceeds of the sale of the Bonds in anticipation of which such Notes are issued. The proceeds of such Bonds deposited in the Construction Fund may be pledged for the payment of the principal of and interest on such Notes and any such pledge shall have a priority over any other pledge of such proceeds created by the Resolution. A copy of the resolution of the District authorizing such Notes shall be delivered to the Trustee following adoption, together with such other information concerning such Notes as the Trustee may reasonably request. Any Notes issued by the District on parity with the Series of Bonds under the first Supplemental Resolution must comply with Section 2.5.

Section 2.9. Lines of Credit. The District may establish lines of credit secured by subordinated liens upon Revenues.

Section 2.10. No Senior Debt. Notwithstanding with anything to the contrary in this Article II, the District cannot issue any Bonds, Notes or other indebtedness that are senior to the Series of Bonds issued under the first Supplemental Resolution.

Section 2.11. Resolution to Constitute Contract. In consideration of the purchase and acceptance of the Bonds and Notes and other indebtedness issued hereunder by those who shall hold the same from time to time, the provisions of this Resolution shall be a part of the contract of the District with the holders of such Bonds and Notes and other indebtedness and shall be deemed to be and shall constitute a contract between the District, the Trustee and the holders from time to time of the Bonds and Notes and other indebtedness issued hereunder. The pledge hereof and the provisions, covenants and agreements herein set forth to be performed by or on

behalf of the District with respect to the Bonds and Notes and other indebtedness issued hereunder shall be for the equal benefit, protection and security of the holders of any and all Bonds and Notes and other indebtedness issued hereunder, and the pledge hereof and the provisions, covenants and agreements herein set forth to be performed by or on behalf of the District, each of which, regardless of the time or times of its issue or maturity, shall be of equal rank with the other holders of Bonds, Notes and other indebtedness issued hereunder without preference, priority or distinction over any other thereof except as expressly provided in this Resolution.

ARTICLE III

GENERAL TERMS AND PROVISIONS

Section 3.1. Details of Bonds. Except as otherwise set forth in the Supplemental Resolution providing for their issuance, (i) Bonds issued upon the initial issuance of a Series shall bear the same date; (ii) Bonds issued upon exchanges and transfers of Bonds shall be dated so that no gain or loss of interest results from the exchange or transfer; and (iii) Bonds of a Series shall be numbered from R-1 upwards in chronological order as issued. The principal or redemption price of and interest on the Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts.

Section 3.2. Execution of Bonds. Except as otherwise provided in the Supplemental Resolution providing for their issuance, (i) the Bonds shall be signed in the name of the District by an Authorized Officer and the District Treasurer (which signatures may be in facsimile if the authentication of the Trustee is manually signed); and (ii) the seal of the District (if any) shall be impressed or a facsimile thereof imprinted or reproduced on the Bonds. In case any officer of the District whose signature appears on any Bond ceases to hold office before the delivery of the Bond, his or her signature shall, nevertheless, be valid and sufficient for all purposes as if he or she had remained in office until the delivery.

Section 3.3. Authentication of Bonds. Except as otherwise provided in the Supplemental Resolution providing for their issuance, each Series of Bonds shall be authenticated by the Trustee. Authentication by the Trustee upon a Bond shall be conclusive evidence that the Bond has been duly issued under the Resolution and is entitled to the benefits and security of the Resolution. In case any person whose authorized signature for the Trustee appears on any Bond ceases to be authorized to sign for the Trustee before the delivery of the Bond, his signature shall, nevertheless, be valid and sufficient for all purposes as if he had remained so authorized. In case any of the Bonds have been authenticated by the Trustee but not delivered, a successor Trustee may adopt the certificate of authentication of the predecessor Trustee. In case any of the Bonds have not been authenticated, the successor Trustee may authenticate the same in its own name.

Section 3.4. Transfer, Registration and Exchange of Bonds. (A) Bonds shall be transferable, registrable and exchangeable as provided in the Bonds. Unless otherwise provided in the Supplemental Resolution providing for their issuance, transfers, registrations and exchanges of Bonds shall be without expense to the holder except that any taxes or other

governmental charges required to be paid with respect to the same shall be paid by the holder requesting the transfer, registration or exchange as a condition precedent to the exercise of the privilege, and no transfers, registrations and exchanges shall be required to be made during the fifteen (15) days next preceding an interest payment date for the Bonds, nor during the forty-five (45) days next preceding the date fixed for the redemption or repurchase of the Bonds.

(B) The Trustee shall act as registrar and transfer agent for the Bonds. Whenever Bonds registered as to principal are outstanding and unpaid, it shall maintain at its corporate trust office books of registry in which, subject to such reasonable regulations as it may prescribe, it shall register Bonds and the transfer of Bonds entitled to be registered or transferred as herein provided. Bonds surrendered in any transfer or exchange of Bonds shall be cancelled by the Trustee.

Section 3.5. Mutilated, Lost or Destroyed Bonds. Unless otherwise provided in the Supplemental Resolution providing for their issuance, lost or destroyed Bonds may be replaced in accordance with the Uniform Commercial Code. Any indemnity bond required by the Uniform Commercial Code shall run to the Trustee as well as to the District and the replacement shall be subject to the reasonable requirements of the Trustee as well as those of the District. Mutilated Bonds may be similarly replaced, without an indemnity bond if the District and the Trustee deem an indemnity bond to be unnecessary. Expenses of the replacement shall be borne by the holder.

Section 3.6. Temporary Bonds. Any Series of Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery.

Section 3.7. CUSIP Identification Numbers. Unless otherwise provided in the Supplemental Resolution providing for their issuance, at the option of the District, CUSIP identification numbers may be printed on the Bonds of a Series, but the number shall not be deemed to be a part of the Bond, and no liability shall attach to the District or any officer of agent of the District (including the Trustee) because of the CUSIP identification numbers.

Section 3.8. Book Entry. The District may provide in the Supplemental Resolution providing for the issuance of a particular Series of Bonds that such Series shall be in book-entry form and setting forth the terms and conditions in connection therewith.

Notwithstanding anything herein to the contrary, the District or the Trustee shall not be required to treat any depository or its nominee as the registered owner of a Series of Bonds for purposes of this Resolution in connection with the exercise of any voting right or privilege, the giving of any consent or direction or the taking of any other action that the Bondholders are entitled to take pursuant to Articles VIII and IX hereof or otherwise, or the exercise of Bondholder remedies pursuant to Article VIII hereof unless such depository or nominee presents evidence reasonably acceptable to the District or the Trustee that such depository or nominee has obtained the requisite consents, directions or approvals with respect to any act or direction to be taken or given by a Bondholder hereunder from the requisite beneficial owners of such Series of Bonds.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.1. Redemption of Bonds. The Bonds of a Series shall be subject to redemption prior to their stated maturities at such dates and redemption prices as are set forth in the Supplemental Resolution providing for their issuance.

Section 4.2. Selection of Bonds for Redemption. In the selection by lot of Bonds to be redeemed (other than at the option of the holders), the Trustee shall select the particular Bonds to be redeemed in a manner which it deems fair.

Section 4.3. Notice of Redemption. Notice of redemption of Bonds (other than at the option of the holders) shall be given by the Trustee for the District in the manner set forth in the Bonds.

Section 4.4. Determination of Taxability. Upon the occurrence of an Event of Taxability, Bonds of a Series deemed taxable shall be redeemed in the manner provided for special redemption in Section 5.9(A). “Event of Taxability” as used in this Section 4.5 means with respect to the Bond: (i) the application of the related proceeds in such manner such that any Bond becomes an “arbitrage bond” within the meaning of Code Sections 103(b)(2) and 148, and with the result that interest thereon is or becomes includable in a holder’s gross income (as defined in Code Section 61); (ii) if as the result of any act, failure to act or use of the related proceeds or any misrepresentation or inaccuracy in any of the representations, warranties or covenants contained in or related to the Bonds by the District or the enactment of any federal legislation or the promulgation of any federal rule or regulation after the date of this Resolution or for any other reason, the interest on the Bond is or becomes includable in a holder’s gross income (as defined in Code Section 61), or (iii) any determination by the Internal Revenue Service or a court of competent jurisdiction that the Bond is not a “qualified tax exempt obligation” under Section 265(b)(3) of the Code.

ARTICLE V

FUNDS AND ACCOUNTS

Section 5.1. Revenue Fund. (A) There is hereby established a special trust fund of the District to be held by the Trustee and to be known as the “Project Revenue Fund.” The District shall pay all of the Revenues into the Revenue Fund as promptly as practicable after receipt (other than the Revenues expressly required or permitted by the Resolution to be credited to or deposited in any other Fund or Account).

(B) The moneys in the Revenue Fund shall be applied in the following order of priority:

(i) First, to payment of the amounts required to be paid from the Revenue Fund into the Debt Service Fund and Debt Service Reserve Fund, and the amounts paid to the District to pay the Outstanding Notes;

- (ii) Second, to payment to the District to pay Operating Expenses;
- (iii) Third, to payment of the amounts (if any) required to be paid from the Revenue Fund into the Reserve and Contingency Fund;
- (iv) Fourth, to payment of the amounts required to be paid from the Revenue Fund into the Redemption Fund and the Rebate Fund;
- (v) Fifth, in accordance with, and to purposes permitted by Section 5.6, including the pledging of the same to secure other obligations or payment to the District free and clear of the lien of the Resolution;
- (vi) Sixth, to payment to the District to pay principal and interest, if any, due on the Series 2011 C Subordinated Notes by the District or due on other subordinated debt that may be issued by the District; and
- (vii) Seventh, to payment to the District to pay the direct compensation due the management company under the Operating Agreement.

(C) Before applying moneys in the Revenue Fund in any month for any purpose having a lower priority as provided in paragraph (B) above, the District shall provide for all payments having a higher priority to be made within such month. Before applying moneys in the Revenue Fund for any purpose having lower priority than Operating Expenses as provided in paragraph (B) above, the District may reserve sufficient moneys, together with reasonably expected Revenues, to meet estimated Operating Expenses for a reasonable period not to exceed six months.

(D) All moneys held by the District in the Revenue Fund shall, until otherwise invested or applied as provided in the Resolution, be deposited by the District in its own name, for the account of the Revenue Fund with the Trustee. Monthly, the Trustee shall deduct all amounts to be paid to the Debt Service Fund, the Debt Service Reserve Fund, the Rebate Fund, Redemption Fund and the Reserve and Contingency Fund from the Revenue Fund. All remaining amounts shall be promptly transferred to the District upon the direction of the District, and deposited in such depository or depositories as the District shall at any time or from time to time appoint for the purpose. Any depository so appointed shall be a bank or trust company within or outside of the State, including the Trustee, eligible to receive deposits of public moneys and which is a member of the Federal Deposit Insurance Corporation and has a capital and surplus not less than ten million dollars (\$10,000,000).

(E) For so long as the District is not in default under, or the payments provided below do not result in a default under, any obligations previously issued by ECF Holdings, LLC, for which payment has been assumed by the District, and for so long as any agreed-to subordination of holders of any such debt is respected, whenever Operating Cash Flow ("OCF") of the Project exceeds \$500,000 for a complete calendar year, interest shall be paid on all Series C Notes in the lesser amount of: (a) 15% of the OCF; or (b) the full amount of interest then due under such Series 2011 C Subordinated Notes. Such payments shall be made semi-annually in the following year on the dates specified in the Series 2011 C Subordinated Notes. For the purposes of this section, OCF shall be defined to mean the earnings before interest, taxes, depreciation and

amortization (“EBITDA”) minus interest on : (i) the ECF Holdings, LLC 2010 Series A Notes; (ii) any notes or other debt issued by ECF Holdings, LLC, between January 1, 2011 and January 1, 2015; and (iii) any special notes issued by ECF Holdings, LLC, to Matrix Design Group, Inc. between September 30, 2013 and January 1, 2014. The Trustee shall be under no obligation to release any funds under or pursuant to this subsection 5.1(E) unless the District, to the Trustee’s satisfaction directs such release and certifies that all the conditions herein have been satisfied.

Section 5.2. Debt Service Fund. There is hereby established a special trust fund of the District to be held by the Trustee and to be known as the “Project Debt Service Fund,” consisting of three separate accounts:

(A) The “Interest Account” shall be used to pay the interest on the Bonds. Not later than the sixth business day prior to the end of the sixth calendar month before the date upon which an installment of interest on the Bonds of a Series falls due, and on or before the sixth business day prior to the end of each calendar month thereafter until the installment falls due, the Trustee shall pay from the Revenue Fund into the Interest Account an amount equal to one-sixth of the installment of interest coming due. The District shall also transfer from the Revenue Fund to the Interest Account any amount required to pay interest on overdue principal. If at any time the District determines that the amounts on deposit in the Interest Account in respect of capitalized interest exceed the amount required therefor, it may direct the Trustee to transfer all or part of the excess monthly to the Construction Fund or, in the event refunding Bonds are issued, as provided in the Supplemental Resolution therefor.

(B) The “Principal Account” shall be used to pay the principal of Serial Bonds. Not later than the sixth business day prior to the end of the twelfth calendar month before the date upon which an installment of principal of Serial Bonds of a Series falls due, and on or before the sixth business day prior to the end of each calendar month thereafter until the installment falls due, the Trustee shall pay from the Revenue Fund into the Principal Account an amount equal to one-twelfth of the installment of principal coming due. The Trustee shall also transfer from the Revenue Fund to the Principal Account any amount required to pay principal of Serial Bonds which has been accelerated pursuant to Section 8.2.

(C) The “Sinking Fund Account” shall be used to pay the principal or sinking fund installments on Term Bonds. Not later than the sixth business day prior to the end of the twelfth calendar month before the date upon which a sinking fund installment of Term Bonds of a Series falls due, and on or before the sixth business day prior to the end of each calendar month thereafter until the installment falls due, the Trustee shall pay from the Revenue Fund into the Sinking Fund Account an amount equal to one-twelfth of the sinking fund installment coming due. The Trustee shall also transfer from the Revenue Fund to the Sinking Fund Account any amount required to pay principal of Term Bonds which has been accelerated pursuant to Section 8.2. The Trustee shall call Term Bonds for redemption on the sinking fund installment date to the extent of the sinking fund installment coming due. Moneys on deposit in the Sinking Fund Account for a sinking fund installment on Term Bonds of a Series and maturity may, and if so directed by an Authorized Officer shall, be applied to the purchase of the Term Bonds, at a price not exceeding the applicable redemption price, at least 60 days before the sinking fund installment date, the accrued interest being paid from the Interest Account, and these purchases shall be credited against the sinking fund installment at the applicable redemption price. The

District may also purchase Term Bonds with other available funds (excluding funds in the Special Redemption Account) and credit them against a sinking fund installment applicable to them at the applicable redemption price by delivering them to the Trustee for cancellation at least 60 days before the sinking fund installment date and may pay the accrued interest on the purchase from the Interest Account.

(D) Sums funded from Bond proceeds or earnings thereon and on deposit in the Interest Account to pay an installment of interest and other sums on deposit in the Interest Account, Principal Account or Sinking Fund Account and available to pay an installment of interest or principal or sinking fund installment (as the case may be) shall be credited against the monthly payments required to be made into the Account for that installment. In the event of the purchase or redemption of Bonds between the dates established for payment of installments of interest or principal or sinking fund installments, the subsequent monthly payments shall be adjusted so that the amounts deposited to pay the next installments and not withdrawn for the purchase or redemption of Bonds will be equal to the amounts needed to pay the installments and any excess shall be returned to the Revenue Fund. If the first installment of interest on the Bonds of a Series will come due in more or less than six months, or the first installment of principal or sinking fund installment in less than twelve months, the number of monthly payments to provide for that installment shall be increased or decreased, as the case may be, and the amount of each payment adjusted accordingly, so that in any event the amount required to pay the entire installment shall be deposited not later than the sixth business day prior to the end of the calendar month before the date on which it falls due.

Section 5.3. Debt Service Reserve Fund. There is hereby established a trust fund of the District to be held by the Trustee and to be known as the "Project Debt Service Reserve Fund." The purpose of the Debt Service Reserve Fund is to provide a reserve for the payment of the principal or redemption price of and interest on the Bonds, but not for the payment of the principal or redemption price of and interest on any subordinate obligation issued under Section 2.6. Provided no Event of Default described herein has occurred, if on any date when an installment of interest or principal or a sinking fund installment becomes due the amount on deposit in the Debt Service Fund is insufficient to pay such installment of interest or principal or sinking fund installment, the Trustee shall make up the deficiency by transfer from the Debt Service Reserve Fund. If at any time the amount in the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement, the Trustee shall forthwith make up the deficiency from the Reserve and Contingency Fund, and any remaining deficiency shall be made up by six approximately equal monthly transfers by the Trustee from the Revenue Fund. For purposes of determining the amount in the Debt Service Reserve Fund, the fair market value of investments shall be determined as of December 31 in each year or when required in connection with a deposit or transfer (including in connection with the issuance of a Series of Bonds). If the amount in the Debt Service Reserve Fund is greater than the Debt Service Reserve Fund Requirement on June 30 or December 31 of any year or upon the issuance of a Series of Bonds, the excess shall be dealt with in the manner provided for earnings from investment of the Debt Service Reserve Fund or, in the case of an excess upon the issuance of a Series of Bonds, as otherwise provided in the Supplemental Resolution providing for such issuance. If an Event of Default has occurred, the Trustee may, at the direction of the Bondholders, use the balance of the Debt Service Reserve Fund to: preserve the lien on the Revenues and assets of the District, pay

counsel, sell or lease the District's assets, insure the District's assets, collect Revenues due from the District's ratepayers, and pay Operating Expenses.

Excess amounts in the Debt Service Reserve Fund resulting from the payment, defeasance or redemption of Bonds shall be transferred to the Principal Account or the Sinking Fund Account as applicable.

Section 5.4. Reserve and Contingency Fund. (A) There is hereby established a special trust fund of the District to be held by the Trustee and to be known as the "Project Reserve and Contingency Fund." The Reserve and Contingency Fund shall be used to pay, as the District, at its sole discretion determines for (1) necessary renewals, replacements, modifications, capital additions, betterments and extraordinary repairs of the Project, (2) costs of the retirement from service, decommissioning, disposal and termination of the Project, and (3) extraordinary operation and maintenance costs and the costs of preventing or correcting any unusual loss or damage (including major repairs and insurance deductible payments). Any Supplemental Resolution providing for the issuance of a Series of Bonds may provide for a deposit from the proceeds of the Bonds into the Reserve and Contingency Fund. Sixty (60) days prior to the last day of each Bond year, the District shall certify to the Trustee the aggregate number of miles of Project telecommunications lines, and for the next following Bond Year the Reserve and Contingency Fund requirement shall be adjusted as provided in Section 1.1(PP). If on the last day of any Bond Year the amount in the Reserve and Contingency Fund, after deducting any amount committed or obligated for the purposes specified in this Section but not yet paid, is greater than the Reserve and Contingency Fund Requirement, the Trustee, after making any payment required by this Section, shall pay the excess to the Revenue Fund. If on the last day of any Bond Year the amount in the Reserve and Contingency Fund is under the Reserve and Contingency Fund Requirement, the Trustee shall make up the deficiency by transfer from the Revenue Fund.

(B) If there is a deficiency in the Debt Service Reserve Fund after a transfer is made under Section 5.3, the Trustee shall make up the deficiency by transfer from the Reserve and Contingency Fund.

Section 5.5. Rebate Fund. (A) There is hereby established a special trust fund of the District to be held by the Trustee and to be known as the "Project Rebate Fund." The purpose of the Rebate Fund is to ensure compliance with Code Section 148(f) (the "Rebate Provision"). For each Series of Bonds issued under this Resolution (other than Taxable Bonds) there shall be established by the Trustee within the Rebate Fund a separate account into which any Excess (as defined below) allocable to such Series shall be deposited. Within thirty (30) days after the close of each Rebate Year, the District shall compute and certify to the Trustee in reasonable detail the amount of Excess, if any, for such Rebate Year, and the District shall deposit such amount into the Rebate Fund from the Revenue Fund within seven (7) days of such certification.

(B) If at the close of any Rebate Year the amount in any account of the Rebate Fund exceeds the amount that would be required to be paid to the United States under Section 5.5(D) if the applicable Bonds were no longer Outstanding, upon certification thereof in reasonable detail by the District to the Trustee, such excess shall promptly be paid to the District for deposit in the Revenue Fund.

(C) “Excess” for any period means the sum of

(i) the excess of

(A) the aggregate amount earned on all Nonpurpose Investments (other than investments attributable to an excess described in this subparagraph) in the Debt Service Reserve Fund, the Redemption Fund, the Construction Fund and, but only in the circumstances described below, in the Debt Service Fund over

(B) the amount which would have been earned if all Nonpurpose Investments in such funds were invested at a rate equal to the yield (determined in accordance with the Code) on the Series of Bonds to which such moneys are attributable, plus

(ii) any income attributable to the investment of any excess described in subparagraph (i) above or this subparagraph (ii).

The term “Nonpurpose Investment” shall have the meaning given in the Rebate Provision and shall be applied as provided therein. Nonpurpose Investments shall be valued at market for the purposes of this Section 5.5(C). In determining the aggregate amount earned on Nonpurpose Investments, any realized gain or loss shall be taken into account and earnings on amounts paid into the Debt Service Fund by the District pursuant to Section 5.2 shall not be taken into account if the gross earnings on such account for the Rebate Year are less than \$100,000.

(D) (i) Within thirty (30) days after the close of the fifth Rebate Year, and at least once in each five-year period thereafter, the Trustee shall pay from the Rebate Fund to the United States on behalf of the District the full amount then required to be paid under the Rebate Provision. Within thirty (30) days after the Bonds of any Series are no longer Outstanding, the Trustee shall pay to the United States from the Rebate Fund on behalf of the District the full amount then required to be paid under the Rebate Provision as calculated by the District. Each such payment shall be filed with the Internal Revenue Service Center, Ogden, Utah 84201, or any successor location designated by the Internal Revenue Service, accompanied by a copy (furnished by the District) of the Form 8038-T (or other similar information reporting form) filed with respect to the Series of Bonds and a statement summarizing the determination of the amount required to be paid. If the amount in the Rebate Fund is insufficient to pay the amount required to be paid under the Rebate Provision, the District shall be liable to make up that deficiency prior to the Rebate Payment Date (as defined below).

(ii) No later than fifteen (15) days prior to each date on which a payment could become due under Section 5.5(D) (a “Rebate Payment Date”), the District shall deliver to the Trustee a certificate either summarizing the determination that no amount is required to be paid or specifying the amount then required to be paid pursuant to this Section 5.5(D) and if an amount is required to be paid, the Trustee shall make such payment on the Rebate Payment Date from the Rebate Fund or other funds provided by the District.

(E) The Trustee shall keep such records as will enable it and the District to fulfill the responsibilities under this Section 5.5 and the Rebate Provision and shall retain such records for

at least six years following final payment of the Bonds. The Trustee may rely conclusively upon all rebate calculations provided to it under this Section 5.5 and shall not have any obligation to make any rebate calculations or confirm calculations delivered to it hereunder.

(F) The purpose of this Section 5.5 is to satisfy the requirements of Code Section 148(f). Accordingly, this section shall be construed so as to meet such requirements.

Section 5.6. Surplus Moneys in the Revenue Fund. If, after the District has made the required transfers from the Revenue Fund set forth above, the amount on deposit in the Revenue Fund exceeds the reserve (if any) pursuant to paragraph (C) of Section 5.1, the District may apply the excess (i) to pay costs of modifications, additions and betterments to the Project, (ii) to redeem Bonds by deposit to the Optional Redemption Account, or (iii) to any other lawful purpose of the District, including deposits in any Funds or Accounts (other than the Special Redemption Account) and expansion of the telecommunications services offered by the District.

Section 5.7. Construction Fund. There is hereby established a special trust fund of the District to be held by the Trustee and to be known as the "Project Construction Fund." Moneys in the Construction Fund shall be applied to the payment of Costs of Acquisition and Construction. Project construction cost invoices shall be submitted monthly by the Operating Agreement management company for review and approval by the District which invoices shall include capitalized labor costs and expenses allocable to Project construction and Project supervisory personnel. Before any payment is made for this purpose from the Construction Fund, the District shall file with the Trustee a written order in a form substantially as shown in Exhibit A signed by an Authorized Officer and stating (i) the name and address of the person to whom the payment is due, (ii) the amount to be paid, (iii) that the items to be paid have been incurred by the District, that each item is a proper item for payment from the Construction Fund and that the amount to be paid has not already been paid from any Fund or Account maintained by the Trustee under the Resolution, and (iv) if payment is to be made to the District, that the District has advanced payment for the item from other funds. Where Bond proceeds are to be used to provide working capital, they may be transferred to the Revenue Fund upon receipt by the Trustee of a certificate of an Authorized Officer to the effect that they are not needed for other Costs of Acquisition and Construction and that they are reasonably needed to provide for Operating Expenses or other costs relating to the Project not otherwise provided by Bond proceeds.

Section 5.8. Project Completion. As soon as practicable after the Date of Commercial Operation, the District shall file a certificate with the Trustee stating that the Project has been completed, giving its Date of Commercial Operation, and setting forth any remaining Costs of Acquisition and Construction to be paid from the Construction Fund. Any balance of moneys in the Construction Fund not needed to pay the remaining Costs of Acquisition and Construction may be used to expand the Project or transferred first to the Debt Service Reserve Fund to the extent necessary to cause the amount in the Debt Service Reserve Fund to equal the Debt Service Reserve Fund Requirement and the balance shall be deposited, as determined by the Board, (i) to the Redemption Account, (ii) to the Reserve and Contingency Fund to the extent that the amount immediately thereafter on deposit will not exceed the Reserve and Contingency Fund Requirement, or (iii) to the extent such balance does not exceed \$200,000, to the Revenue Fund.

Section 5.9. Redemption Fund. (a) There is hereby established a special trust fund of the District to be held by the Trustee and to be known as the “Redemption Fund”. Moneys in the Redemption Fund shall be applied by the Trustee as soon as practicable to the purchase or redemption of Bonds. The purchase price (excluding accrued interest) shall not exceed the earliest available redemption price (excluding accrued interest). If the accrued interest on a purchase of Bonds is available in the Interest Account, it shall be paid from the Interest Account. Otherwise, the District shall transfer moneys from the Revenue Fund to the Redemption Fund to pay accrued interest on the purchase of Bonds or to reimburse the Redemption Fund for accrued interest already paid. Nothing in this Section shall be deemed to authorize redemption of any Series of Bonds otherwise than in accordance with their terms.

(b) In purchasing Bonds from the Redemption Fund or the Sinking Fund Account in the Debt Service Fund, the Trustee shall use its best efforts to obtain the fairest price obtainable with reasonable diligence.

Section 5.10. Expense Fund. An Expense Fund is hereby established to be held by the Trustee and proceeds of the Bonds shall be deposited therein for payment of prior obligations incurred in connection with the Project and the costs of issuing the Bonds. The moneys in the Expense Fund and any investments held as part of such Fund shall be held in trust and, except as otherwise provided in this Agreement, shall be applied by the Trustee at the written direction of the Institution solely to the payment or reimbursement of the costs of issuing the Bonds and payment of prior obligations. The Trustee shall pay from the Expense Fund the costs of issuing the Bonds, as directed in writing by the District, including the reasonable fees and expenses of Bond Counsel, the reasonable fees and expenses of the Trustee incurred prior to the completion of the Project in accordance with this Agreement, any recording or similar fees and any expenses of the Institution in connection with the issuance of the Bonds as directed by the Institution. After all costs of issuing the bonds have been paid any amounts remaining in the Expense Fund shall be transferred to the Construction Fund. To the extent the Expense Fund is insufficient to pay any of the above costs, the Institution shall be liable for the deficiency and shall pay such deficiency as directed by the Trustee.

Section 5.11. Investment of Funds. (A) Moneys held by the District or the Trustee which are not needed for immediate disbursement shall, to the extent practicable and reasonable, be invested in Investment Securities by the District, or by the Trustee as directed by the District (or in Investment Securities of the type described in item (1) of the definition of Investment Securities maturing not later than 30 days from the date of investment if no direction is received from the District), as the case may be, subject to the following:

(1) Moneys in the Debt Service Fund and the Redemption Fund shall be invested in Investment Securities of the types described in items (1), (2), (4) and (6) of the definition of Investment Securities, maturing or subject to redemption at the option of the holder on or before the dates when the moneys will be required for expenditure.

(2) Moneys in the Debt Service Reserve Fund shall be invested in Investment Securities of the types described in items (1), (2), (4) and (6) of the definition of Investment Securities, maturing or subject to redemption at the option of the holder

within ten years from the date of investment (but not later than the final maturity date of the Bonds).

(3) Moneys in the Reserve and Contingency Fund shall be invested in Investment Securities maturing or subject to redemption at the option of the holder within ten years from the date of investment.

(4) Moneys in the Construction Fund shall be invested in Investment Securities maturing or subject to redemption at the option of the holder on or before the dates when the moneys are expected to be required for expenditure. Any investment directed by the District shall be made with due regard to the most recent estimates of amounts expected to be disbursed from time to time from the Construction Fund.

(5) Moneys in the Revenue Fund, when invested by or at the direction of the District, shall be invested in Investment Securities maturing or subject to redemption at the option of the holder on or before the dates when the moneys are expected to be required for expenditure.

(6) Moneys in several Funds or Accounts may be invested in undivided interests in the same Investment Securities if they are otherwise eligible for each of the several Funds or Accounts. Investment Securities may be transferred in kind at fair market value when deposits or transfers are required if they are eligible for the transferee or depository Fund or Account.

(7) In the event that invested moneys in a Fund or Account are required for expenditure or transfer, they shall be sold or redeemed to the extent necessary. Investment Securities may be sold at their fair market value by one Fund or Account to another if eligible for investment by the latter.

(B) Except as otherwise provided below, all income from the investment of any Fund or Account established under the Resolution (including net profit from the sale of any investment) shall be deposited in the Revenue Fund, or, if so directed by the District, in any other Fund or Account established under the Resolution, or as otherwise provided by Supplemental Resolution. Income from investment of the Redemption Fund shall accrue to it except that any income not needed to pay or redeem Bonds shall be subject to the provisions of the preceding sentence. Income from investment of the Rebate Fund shall accrue to it. For the period until the Date of Commercial Operation (or until the Project is discontinued pursuant to Section 7.6) income accruing from investment of the proceeds of Bonds which have been deposited in the Interest Account, Principal Account, the Construction Fund, the Debt Service Reserve Fund and the Reserve and Contingency Fund, including income on the income, shall when received be deposited in the Construction Fund, or, if so directed by the District, in the Interest Account, or as otherwise provided by the Supplemental Resolution under which the Bonds are issued. Any loss from investment of a Fund or Account shall be charged to the Fund or Account but shall be set off against income from investment of the Fund or Account which would otherwise be deposited in another Fund or Account.

(C) The fair market value of investment shall be determined as of a reasonable date not more than three weeks prior to the applicable date at cost (plus amortized discount or minus amortized premium but excluding accrued interest to the date of purchase) plus accrued interest to the date as of which they are valued unless the Trustee determines that a lower valuation is necessary by reason of uncertainty of payment or anticipated loss on sale prior to maturity.

(D) Notwithstanding anything in this Section 5.11 to the contrary, no gross proceeds (as defined in Code Section 148(f)(6)(B)) of any Series of Bonds issued under the Resolution shall be invested in any of the following:

(1) Investment Securities described in items (1) or (2) of the definition of Investment Securities, in each case with yields lower than the yield available on comparable obligations then offered by the United States Treasury;

(2) interest bearing bank accounts exceeding an aggregate amount of \$25,000 at any time, taking into account all funds invested under the Resolution; and

(3) Investment Securities described in items (4), (5), (6), (7), (8) or (9) of the definition of Investment Securities except (i) to the extent the Trustee or the District, as the case may be, is advised by nationally recognized bond counsel that such investment would not result in a “prohibited payment,” as defined in regulations under Code Section 103(c)(6) or (ii) for investment of moneys in the Debt Service Fund derived from payments by the District during a Rebate Year in which the Trustee estimates that the total earning on such moneys during such Rebate Year will not exceed \$100,000. For purposes of this subsection “yield” shall have the meaning given it in Section 5.5.

The requirements of this paragraph (D) shall not apply to moneys allocable to any Taxable Bonds or any Series of Bonds as to which the Trustee and the District shall have received an opinion of nationally recognized bond counsel to the effect that such requirements are no longer necessary to preserve the exemption of interest on the Series of Bonds from federal income taxation.

(E) The Trustee shall have no responsibility or liability for any depreciation in the value of any investment or for any loss, direct or indirect, resulting from any investment made in accordance with the instructions of the District. The Trustee shall be without liability to the District or any other person in the event that any investment made in accordance with the instructions of the District shall cause any or all of the Bonds to be or become arbitrage bonds within the meaning of Code Section 148 or shall cause any person to incur any liability or rebates or other monies payable pursuant to the IRC.

ARTICLE VI

TRUSTEE

Section 6.1. Qualifications and Appointment; Resignation or Removal. (A) People’s United Bank, National Association is hereby appointed as Trustee hereunder, and the property, rights, powers and duties of the Trustee under the Resolution are hereby vested in said Trustee in trust for the Bondholders. Any successor Trustee shall be a trust company or bank within or

outside of the State having trust powers and a combined capital and surplus of not less than fifty million dollars (\$50,000,000).

(B) The Trustee may resign on not less than thirty (30) days' notice given in writing to the District and the Bondholders, but such resignation shall not take effect until a successor has been appointed by the District and has accepted such position. The Trustee will promptly certify to the District that it has mailed such notice to all Bondholders and such certificate will be conclusive evidence that such notice was given in the manner required hereby. The Trustee may be removed (i) by written notice from the owners of the majority in principal amount of the Bonds Outstanding to the Trustee and the District, or (ii) so long as no default or Event of Default exists hereunder, by the District, with written notice to the Trustee, but no such removal shall take effect until a successor has been appointed and assumed the duties hereunder. A petition in a court of competent jurisdiction for removal of the Trustee and the appointment of a successor may be filed by the Bondholders representing not less than 25% in principal amount of the Bonds Outstanding.

(C) Any corporation or association which succeeds to the corporate trust business of the Trustee as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights and powers of the Trustee under this Agreement, without any further act or conveyance.

(D) In case the Trustee resigns or is removed or becomes incapable of acting, or becomes bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property is appointed, or if a public officer takes charge or control of the Trustee, or of its property or affairs, a successor shall be appointed by the District. The successor Trustee shall notify the Bondholders of the appointment in writing within twenty (20) days from the appointment. If no appointment of a successor is made within forty-five (45) days after the giving of written notice in accordance with this section or after the occurrence of any other event requiring or authorizing such appointment, the outgoing Trustee or any Bondowner may apply to any court of competent jurisdiction for the appointment of such a successor, and such court may thereupon, after such notice, if any, as such court may deem proper, appoint such successor. Any successor Trustee appointed under this section shall be a trust company or a bank having the powers of a trust company, authorized to serve as Trustee under the Act, having a capital and surplus of not less than \$50,000,000. Any such successor Trustee shall notify the District of its acceptance of the appointment and, upon giving such notice, shall become Trustee, vested with all the property, rights and powers of the Trustee hereunder, without any further act or conveyance. Such successor Trustee shall execute, deliver, record and file such instruments as are required to confirm or perfect its succession hereunder and any predecessor Trustee shall from time to time execute, deliver, record and file such instruments as the incumbent Trustee may reasonably require to confirm or perfect any succession hereunder.

Section 6.2. Responsibility of Trustee; Reliance on Certificates and Opinions. Prior to the Trustee having actual knowledge of an Event of Default, and after the curing or waiving of all Events of Default actually known to the Trustee, the Trustee shall not be liable except for the performance of the duties specifically set out in the Resolution. In case of an Event of Default of which the Trustee has actual knowledge, the Trustee shall use the same degree of care and skill in the exercise of the rights and powers vested in it by the Resolution as a prudent man would

use in the conduct of his own affairs. The Trustee shall not be liable for an error of judgment made in good faith by a responsible officer or officers unless the Trustee was negligent in ascertaining the pertinent facts, or for any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of not less than a majority in principal amount of the Outstanding Bonds, relating to the time, method and place of pursuing any remedy or exercising any trust or power under the Resolution. The Trustee shall be wholly protected when acting in good faith upon advice of counsel, who may be counsel to the District.

The Trustee may act through agents with respect to any of its duties or responsibilities hereunder. The Trustee shall in no event be liable for the application or misapplication of funds, or for other acts or defaults by any person, firm, or corporation, except its own directors, officers, employees and agents. No recourse shall be had by the District or any Bondholder for any claim based on this Resolution, any Supplemental Resolution or any Bond against any director, officer, employee or individual agent of the Trustee alleging personal liability on the part of such person, unless such claim is based upon the bad faith, fraud or deceit of such person. A permissive right or power to act shall not be construed as a requirement to act.

The Trustee shall not be required to monitor the financial condition of the District or the physical condition of the Project and, unless otherwise expressly provided, shall not have any responsibility with respect to notices, certificates, or other documents filed with it hereunder, except to make them available for inspection by the Bondholders. The Trustee shall be deemed to have knowledge of and shall not be required to take notice of any Event of Default hereunder, except for an Event of Default described in Section 8.1(1) or (2) hereof relating to the payment of principal of, premium, if any, and interest on the Bonds, unless the Trustee shall be specifically notified in writing by the District or Bondholders representing not less than 25% in principal amount of the Bonds Outstanding.

Notwithstanding any other provision of this Resolution to the contrary, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of this Resolution, the Trustee shall consider the effect on the Bondholders as if there were no Bond Insurance.

Section 6.3. Evidence of Compliance with Conditions Precedent. When any action by the Trustee is called for by the Resolution, the Trustee may conclusively rely upon certificates or opinions that it reasonably believes to be genuine conforming to the requirements of the Resolution or Bond Insurance with respect to satisfying any conditions precedent for the action to be taken or it may defer action pending receipt of such additional evidence (if any) as the Trustee may require for the purpose.

Section 6.4. Statements of Funds and Accounts. Not more than 30 days after the close of each Fiscal Year, the Trustee shall furnish to the District and to any Bondholder filing with the Trustee a written request for the same a statement of (i) the receipts and disbursements of moneys by the Trustee during the Fiscal Year under the Resolution, (ii) the amount held by the Trustee at the end of the Fiscal Year in each Fund or Account under the Resolution, (iii) the investments held by the Trustee in each Fund or Account as of the end of the Fiscal Year, (iv) the principal amount of Bonds purchased by the Trustee during the Fiscal Year from moneys in any Fund or Account under the Resolution and the purchase prices of the Bonds, (v) the principal

amount of Bonds redeemed by the Trustee during the Fiscal Year from each Fund or Account and the redemption prices, and (vi) any other information which the District may reasonably request. The Trustee shall also promptly notify the District of the making of all required payments to or from the Debt Service Fund and the Reserve and Contingency Fund other than payments made by or to the District.

Section 6.5. List of Bondholders. The Trustee shall preserve, on as current a basis as reasonably practicable, all information as to the names and addresses of the holders of the Bonds (i) received by it in its capacity as paying agent for the Bonds; or (ii) filed with it by any Bondholder for this purpose. The Trustee may destroy any information maintained by it under this Section, which it considers to be obsolete. At reasonable times and under reasonable regulations established by the Trustee, the information under this Section and the books of registry under Section 3.4 may be inspected and copied by the District or by the holders (or a designated representative thereof) of 10% or more in principal amount of the Outstanding Bonds, the ownership of the Bonds and the authority of a designated representative to be evidenced to the satisfaction of the Trustee. The Trustee shall not be responsible for the accuracy of the information received by it under this Section.

Section 6.6. Trustee May File Proofs of Claims. The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have claims of the Trustee and of the holders of the Bonds allowed in judicial proceedings relative to the District, its creditors or its properties.

Section 6.7. Trustee Not Responsible for Acts of the District; No Representations by Trustee. The Trustee shall not be responsible or have any liability for any act of the District. The Trustee shall not be responsible for the correctness of any recitals or representations in the Resolution or in the Bonds, all of which are made solely by the District. The Trustee does not make any representations as to, nor has any responsibility for, the validity of the Resolution or of the Bonds.

Section 6.8. Trustee May Deal in Bonds and Other Indebtedness of the District. The Trustee and its directors, officers, employees and agents, may buy, sell, hold and deal in any of the Bonds, may join in any action which any holder of a Bond may be entitled to take, and may enter into other commercial or financial relationships with the District, as if the Trustee was not the Trustee.

Section 6.9. Fees and Expenses of Trustee. The Trustee shall be entitled to reasonable fees and reimbursement by the District for all expenses (including, but not limited to, attorneys' fees) reasonably incurred by it in the performance of its duties and powers under the Resolution. If such fees and reimbursements are not paid when due, they may be subject to interest at the "base rate" of the Trustee (or, if none, the nearest equivalent), and if not otherwise paid, the Trustee shall have a lien for these fees and reimbursement on the moneys pledged to secure the Bonds and held by it under the Resolution, prior to the lien of the holders of the Bonds. Any earnings realized by the Trustee from the investment of funds held under Section 11.2, including the estimated or approximate earnings from unallocated investments fairly attributable to those funds, shall be taken into account in establishing fees under this Section.

Section 6.10. Co-Trustees and Separate Trustees. At any time, for the purpose of meeting the legal requirements of any jurisdiction in which any of the trust estate may at the time be located, the Trustee shall have the power to appoint one or more persons either to act as co-trustee, jointly with the Trustee, of all or any part of the trust estate, or to act as separate trustee of any such property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such person or persons in the capacity aforesaid, any property, title, right or power deemed necessary or desirable, subject to the other provisions of this section. The Trustee may at any time accept the resignation of or remove any co-trustee or separate trustee and appoint a successor. At the request of the Trustee, the District shall execute, acknowledge and deliver such instruments as may be required to confirm or effectuate such appointment and the powers and interests granted or such resignation or removal. Every co-trustee or separate trustee shall, to the extent permitted by law, be appointed subject to the following terms:

(A) The Bonds shall be authenticated and delivered, and all rights, powers, duties and obligations hereunder in respect of the custody of moneys, investments and other personal property held by or required to be deposited or pledged with the Trustee under the Resolution shall be exercised solely by the Trustee.

(B) The rights, powers, duties and obligations hereby conferred or imposed upon the Trustee in respect of any property covered by such appointment shall be conferred or imposed upon and exercised or performed by the Trustee or by the Trustee and such co-trustee jointly, as shall be provided in the instrument appointing such co-trustee or separate trustee, except to the extent that upon any law of any jurisdiction in which any particular act is to be performed, the Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties and obligations shall be exercised and performed by such co-trustee or separate trustee. Any action of Bondholders delivered to the Trustee shall be deemed to have been delivered to each co-trustee and separate trustee.

(C) No co-trustee or separate trustee hereunder shall be personally liable by reason of any act or omission of the Trustee or any other such trustee hereunder.

(D) Nothing contained in this Resolution shall in any way obligate the Trustee to pay any debt or meet any financial obligations hereunder (or under any Supplemental Resolution) to any person except from moneys received under the provisions of this Resolution (or under any Supplemental Resolution), including from the exercise of its rights and remedies hereunder (or under any Supplemental Resolution), other than the moneys received for its own purposes.

ARTICLE VII

COVENANTS TO SECURE BONDS

Section 7.1. Construction and Maintenance of the Project. The District will use its best efforts to arrange for the financing, planning, engineering, design, acquisition, construction, operation and maintenance of the Project, obtain or arrange to obtain permits and other rights and regulatory approvals necessary therefor, and issue Bonds to finance the Costs of Acquisition and Construction of the Project and the costs of any necessary modifications, additions and betterments for the Project not otherwise provided for.

Section 7.2. Rates and Charges. (A) The District shall establish, revise, levy and collect Revenues at least sufficient to meet the Operating Expenses of the District, an amount equal to 125% of the current Fiscal Year's interest and principal payments, (excluding any change in tax accredited value of any outstanding Notes or Bonds), including payments into sinking funds for the retirement of principal, and an amount equal to the other requirements of any trust agreement or resolution securing bonds or notes of the District, including the Bonds and the Resolution.

(B) Without limiting the generality of the foregoing, the District shall establish and collect rates and charges, whether or not the Project is completed, operable or operating and notwithstanding the suspension, interruption, interference, reduction or curtailment of the output of the Project, which will provide the District with Revenues sufficient to pay:

(i) Operating Expenses and all other costs of the proper operation and maintenance of, and repairs, renewals and replacements to, the Project in order to keep the Project in good operating condition and all taxes, assessments or other governmental charges lawfully imposed on the Project or the revenues therefrom, or payments in lieu thereof, payable by the District;

(2) amounts which the District is obligated to pay to the Trustee pursuant to Sections 5.2, 5.3, 5.4 and 5.5 respectively;

(3) costs to the District of prevention or correction of any unusual loss or damage and of major repairs, renewals and replacements and of capital additions, betterments, improvements, extensions and decommissioning less that part, if any, of such costs as is provided for from insurance, from amounts available therefor in the Reserve and Contingency Fund and from Additional Bonds issued in accordance with Section 2.3(B); and

(4) all other charges or obligations against the Revenues of whatever nature and whether now or hereafter imposed by the Resolution or by law or contract.

Section 7.3. No Free Service; Enforcement of Accounts Owning. Except for promotional purposes and for discounted services furnished to public institutions, and for in-kind compensation, so long as any Bonds are Outstanding, the District will not furnish or supply any commodity, service or facility furnished by or in connection with the Project free of charge to any person, firm or corporation, public or private, and the District will promptly enforce the payment of any and all accounts owing to the District by reason of the Project.

Section 7.4. Annual Budget. The District shall file with the Trustee and make available on the District's website a preliminary annual operating budget within 30 days of its approval in conformance with the Act. The District may at any time adopt and file with the Trustee an amended or supplemental operating budget for the Fiscal Year then in progress. The budget shall show projected Operating Expenses, Debt Service and other payments from the Revenue Fund and the Revenues to be available to pay the same. If the District incurs aggregate Operating Expenses in any Fiscal Year in excess of the aggregate amount shown in the annual budget as amended and supplemented then the District shall promptly file a written report of any such excess expenditure with the Trustee and make available on the District's website. The

Trustee shall have no duty with respect to matters filed pursuant to this Section except to send copies to Bondholders upon request.

Section 7.5. Insurance. (A) The District shall carry insurance with generally recognized responsible insurers with policies payable to the District against risks, accidents, or casualties with a deductible of no more than \$25,000. In the event of loss or damage to property covered by the insurance, the District shall promptly repair, replace or reconstruct the damaged or lost property to the extent necessary for the proper conduct of its operations and shall apply the proceeds of the insurance for that purpose to the extent needed; provided, however, that no such repair, replacement or construction shall be required if the District files a certificate with the Trustee signed by an Authorized Officer to the effect that repair, replacement or reconstruction of the damaged or destroyed property is not in the best interest of the District and that failure to repair, replace or reconstruct the damaged or destroyed property will not cause Revenues in any future Fiscal Year of the District to be less than an amount sufficient to enable the District to comply with all covenants and conditions of this Resolution or impair the security or the payment of the Bonds.

If the District elects to undertake the repair, replacement or reconstruction of the damaged or destroyed property and such proceeds of the aforesaid insurance are insufficient for such purpose, the amount of such insufficiency may be satisfied from moneys available under Section 5.6 hereof for any lawful purpose of the District. Any excess proceeds from property insurance shall be paid to the Trustee for deposit in the Debt Service Reserve Fund to the extent necessary to cause the amount in the Debt Service Reserve Fund to equal the Debt Service Reserve Fund Requirement and the balance shall be deposited at the written direction of the District in the Redemption Fund or the Reserve and Contingency Fund to the extent the amount immediately thereafter on deposit will not exceed the Reserve and Contingency Fund Requirement or, if the District receives an opinion of nationally recognized bond counsel to the effect that the proposed use of such proceeds will not adversely affect the tax exempt status of any Bonds issued hereunder, in any other Fund or Account hereunder as directed by the District.

(B) Within 60 days after the close of each Fiscal Year, the District shall file with the Trustee a certificate describing the insurance then in effect.

Section 7.6. Not to Encumber or Dispose of the Project. The District shall not sell, mortgage, lease or otherwise dispose of or encumber all or any portion of the Project, except that:

(A) The District may sell, lease, or otherwise dispose of any portion of the Project which in the reasonable judgment of the District has become unserviceable, inadequate, obsolete or worn out or no longer necessary in the operation of the Project or which is to be or has been replaced by other property. Proceeds of a sale, lease or other disposition pursuant to this paragraph or of a taking by eminent domain shall be paid to the Trustee for deposit in the Debt Service Reserve Fund to the extent necessary to cause the amount in the Fund to equal the Debt Service Reserve Fund Requirement, and any balance shall be paid into the Revenue Fund if the balance is not in excess of \$200,000 or one per cent of the principal amount of the Outstanding Bonds, whichever is greater. Subject to the provisions of paragraph (D) of this Section, if the balance exceeds the sum, it shall be paid, as the District shall determine, to the Trustee for

deposit in (i) the Special Redemption Account, (ii) the Construction Fund for the purpose of payment of Costs of Acquisition and Construction, or (iii) the Reserve and Contingency Fund to the extent the amount immediately thereafter on deposit will not exceed the Reserve and Contingency Fund Requirement.

(B) The District may sell, lease or otherwise dispose of all or any portion of the Project, provided that simultaneously with such sale or other disposition the District shall cause all of the Bonds to be, or to be deemed to be, no longer Outstanding.

(C) The District may lease all or any portion of the Project upon filing with the Trustee (i) a certificate of an Authorized Officer stating that the estimated Revenues to be derived from the remaining portions of the Project, together with the estimated Revenues to be derived from the proposed lease of such properties, will be sufficient to enable the District to meet its obligations under the Resolution, and (ii) an opinion of nationally recognized bond counsel satisfactory to the District and the Trustee to the effect that the District's entering into the proposed lease will not cause interest on any of the Bonds (other than Taxable Bonds) to become subject to federal income tax. Proceeds of a lease pursuant to this paragraph shall be paid into the Revenue Fund.

(D) In the event that ownership of the Project or any part thereof is transferred from the District by operation of law, any moneys received by the District as a result shall be paid to the Trustee for deposit in the Debt Service Reserve Fund to the extent necessary to cause the amount in the Fund to equal the Debt Service Reserve Fund Requirement, and any balance, after paying or providing for the costs of termination and decommissioning, shall be paid into the Revenue Fund if such balance is not in excess of \$200,000 or one per cent of the principal amount of the Outstanding Bonds, whichever is greater. If such balance exceeds the sum, it shall be paid to the Trustee for deposit in the Special Redemption Account.

Section 7.7. Books of Account; Annual Audit. The District shall keep proper books and accounts relating to the Project. Within 120 days after the end of each Fiscal Year, the District shall file with the Trustee an annual financial statement, certified by an independent certified public accountant. In addition to other matters required by law or sound accounting or auditing practice, the financial statement shall cover the transactions in the Funds and Accounts under this Resolution. The report thereon of the accountant shall state whether there has come to the attention of the accountant in the course of its examination any default by the District with respect to the Resolution or the Bonds and, if so, the nature of the default. A copy of the financial statement and report thereon shall be made available on the District's website and sent to any Bond Insurer and to any Bondholder filing a written request with the Trustee.

Section 7.8. Payment of Taxes and Other Claims. The District shall make timely payments of all taxes, assessments and other governmental charges lawfully imposed upon the Project or upon the Revenues, as well as all lawful claims for labor, materials and supplies which, if not paid, might become a lien or charge upon any part of the Project, or upon any of the Revenues; but the failure to do so will not be considered a violation of this section so long as the District is in good faith contesting the validity of the tax, assessment, charge or claim.

Section 7.9. Employees' Liability Coverage. The District shall require officers, employees or agents of the District (including those acting on the District's behalf under the Operating Agreement) collecting or handling money in connection with the operation of the Project to obtain fidelity bonds with responsible surety companies as surety in amounts usually obtained by public agencies operating like properties to protect the District against loss.

Section 7.10. Powers as to Bonds and Pledge. The District is duly authorized under the Act and all applicable laws to issue the Bonds and to adopt the Resolution and to pledge the Revenues and other moneys, securities and funds purported to be pledged by the Resolution in the manner and to the extent provided in the Resolution. The Revenues and other moneys, securities and funds so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution except to the extent expressly permitted hereby. The District will at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues and other moneys, securities and funds pledged under the Resolution and all the rights of the Bondholders under the Resolution against all claims and demands of all persons whomsoever.

Section 7.11. Extension of Payment of Bonds. The District will not directly or indirectly, other than in accordance with the terms thereof, extend or assent to the extension of the maturity of any of the Bonds by the purchase or funding of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds shall be so extended, such Bonds shall not be entitled in case of any default under the Resolution to the benefit of the Resolution or to any payment out of any assets of the District or the funds (except funds held in trust for the payment of particular Bonds pursuant to the Resolution) held by the Trustee except subject to the prior payment of the principal of all Bonds issued and Outstanding the maturity of which has not been extended. Nothing in this section shall be deemed to limit the right of the District to issue refunding Bonds as provided in Article II and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Section 7.12. Tax Covenants. Except with respect to any Series of Taxable Bonds, the District shall (i) not make any use of Bond proceeds or take any other action that would cause the interest on a Series of Bonds to become included in gross income for federal income tax purposes, (ii) not fail to take any other lawful action necessary for interest on a Series of Bonds to be or continue to be excluded from gross income for federal income tax purposes, and (iii) in a timely manner pay to the United States the full amount of any rebate required to be paid under the Code Section 148(f).

Section 7.13. Further Assurance. At any time and all times the District shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning or confirming all and singular the rights, Revenues, Funds and Accounts, and other Revenue producing contracts, and other moneys and securities hereby pledged or assigned, or assigned in trust, or intended so to be, or which the District may hereafter become bound to pledge or assign or assign in trust.

ARTICLE VIII

DEFAULTS AND REMEDIES

Section 8.1. Events of Default. There shall be an “Event of Default” if any of the following occurs:

(1) If there is a default in the payment of the principal of or redemption premium, if any, on any of the Bonds when due, whether at maturity or by proceedings for redemption or otherwise.

(2) If there is a default in the payment of any interest on any Bond, or of any sinking fund installment, when due.

(3) If the District defaults in any payment to be made into the Debt Service Reserve Fund and the default continues for 20 days.

(4) If the District defaults in the performance of any other covenant or agreement contained in the Resolution and the default continues for 120 days after written notice to the District by the Trustee or to the District and the Trustee by the holders of not less than 25% in principal amount of the Outstanding Bonds.

(5) If the District (except as permitted in the Resolution) sells, mortgages, leases or otherwise disposes of or encumbers the Project, or makes an agreement to do so or allows any of its franchises or permits necessary for the operation of the Project to lapse.

(6) If an order, judgment or decree is entered by a court of competent jurisdiction (i) appointing a receiver, trustee, or liquidator for the District or the whole or any substantial part of the Project, (ii) granting relief in involuntary proceedings with respect to the District under the Federal Bankruptcy Code, or (iii) assuming custody or control of the District or of the whole or any substantial part of the Project under the provisions of any law for the relief of debtors, and the order, judgment or decree is not set aside or stayed within 60 days from the date of the entry of the order, judgment or decree.

(7) If the District (i) admits in writing its inability to pay its debts generally as they become due, (ii) commences voluntary proceedings in bankruptcy or seeking a composition of indebtedness, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a receiver for it or the whole or any substantial part of the Project, or (v) consents to the assumption by any court of competent jurisdiction under any law for the relief of debtors of custody or control of the District or of the whole or any substantial part of the Project.

Section 8.2. Acceleration of Maturities. If an Event of Default occurs and has not been cured, either the Trustee, at the written direction of the holders of not less than 25% in principal amount of the Outstanding Bonds (by notice in writing to the District), or the holders of not less than 25% in principal amount of the Outstanding Bonds (by notice in writing to the District and the Trustee) may declare the principal of all Outstanding Bonds and the accrued interest to be

due and payable immediately. Upon the curing of all outstanding Events of Default (other than the payment of principal or interest coming due by reason of the acceleration), unless a final judgment has been obtained for any principal or interest coming due by reason of the acceleration, the holders of not less than 25% in principal amount of the Outstanding Bonds, by written notice to the District and to the Trustee, may annul the acceleration, or, if the Trustee has acted under a direction from the Bondholders and there has not been delivered to the Trustee a written direction to the contrary by the holders of a majority in principal amount of the Outstanding Bonds, the acceleration shall be deemed annulled.

Section 8.3. Inspection of Books and Records. If an Event of Default occurs and has not been remedied, the books of record and account of the District relating to the Project shall at all times be subject to the inspection and use of the Trustee, the holders of at least 25% in principal amount of the Outstanding Bonds and their agents and attorneys.

Section 8.4. Payment of Funds to Trustee; Application of Funds. (A) If an Event of Default occurs and has not been remedied, the District upon demand of the Trustee shall pay over and transfer to the Trustee (i) all funds and investments then held by the District in the Funds and Accounts held by it under this Resolution and (ii) as promptly as practicable all other or subsequent Revenues. After a transfer of a Fund or Account under this paragraph, the Trustee shall administer the Fund or Account until all Events of Default have been cured. Unless otherwise directed by a court, all Revenues and other moneys and funds, and any other moneys received or collected by the Trustee acting pursuant to the Act or this Article VIII, shall, except as provided below, be held, transferred and applied as provided in Article V.

(B) If at any time the available funds are insufficient for the payment of the principal or redemption price and interest then due on the Bonds, the following Funds and Accounts (other than funds held in trust for the payment or redemption of particular Bonds) shall be used in the order named:

- Interest Account
- Principal Account
- Sinking Fund Account
- Debt Service Reserve Fund
- Reserve and Contingency Fund
- Construction Fund
- Optional Redemption Account
- Special Redemption Account
- Rebate Fund

and the District shall promptly restore from the Revenue Fund any amount taken for this purpose from any Fund or Account other than the Interest Account, Principal Account or Sinking Fund Account.

(C) In the event that, upon the occurrence and continuance of an Event of Default, the funds held by the Trustee shall be insufficient for the payment of the principal or redemption price and interest then due on the Bonds, such funds and any other moneys received or collected by the Trustee acting pursuant to the Act and this Article VIII, after making provision for the

payment of Operating Expenses, any expenses necessary in the opinion of the Trustee to protect the interests of the holders of the Bonds, and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee in the performance of its duties under this Resolution, shall be applied as follows:

(1) Unless the principal of all the Bonds shall have become or have been declared due and payable,

First, to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installments, to the persons entitled thereto, without any discrimination or preference; and

Second, to the payment to the persons entitled thereto of the unpaid principal and premium, if any, of any Bonds which have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal and premium, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

(D) Whenever moneys are to be so applied, they shall be applied by the Trustee at such times as it shall determine, having due regard to the amount available and the likelihood of additional moneys becoming available. The Trustee shall use an interest payment date as the date of payment unless it deems another date more suitable. On the date fixed for payment interest shall cease to accrue on the amounts of principal to be paid. The Trustee shall give such notice of the date as it may deem appropriate and shall not be required to make payment to the holder of any Bond unless the Bond is presented for appropriate endorsement.

(E) Interest on overdue principal shall accrue and be payable daily but, for the purpose of applying the order of priority prescribed by paragraph (B) of this section, it shall be treated as if it became due on the regular interest payment dates.

Section 8.5. Suits at Law or in Equity. (A) The Trustee shall have the right in addition to all other rights:

(1) By mandamus or other suit, action or proceedings in any court of competent jurisdiction, to enforce the rights of the Bondholders against the District, including the right to require the District to fix and collect rates and charges adequate to

carry out any agreement made in the Resolution as to rates and charges, or to carry out the pledge of Revenues made by the Resolution, and to require the District to carry out any other covenants or agreements made in the Resolution or in the Bonds and to perform its duties under the Act; and

(2) By action or suit in equity, to enjoin any acts or things which may be unlawful or a violation of the rights of the Bondholders.

(B) All rights of action under the Resolution may be enforced by the Trustee without the possession of any of the Bonds and without producing them at the trial or other proceedings.

(C) The District confers upon the holders of not less than 25% in principal amount of the Outstanding Bonds, subject to compliance with paragraph (D) of this section, and upon the Trustee the right in case of an Event of Default by suit, action or proceedings in any court of competent jurisdiction to obtain the appointment of a receiver of the whole or any part or parts of the Project. If a receiver is appointed he may enter and take possession of the same, operate and maintain it, and collect and receive all Revenues arising from it in the same manner as the District itself might do and shall deposit the Revenues in a separate account or accounts and apply the same in accordance with the obligations of the District.

(D) No holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any provision of the Resolution or for the execution of any trust hereunder or for any other remedy hereunder, unless (i) (A) such holder previously shall have given to the District and the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, (B) after the occurrence of such Event of Default, written request shall have been made of the Trustee to institute such suit, action or proceeding by the holders of not less than 25% in principal amount of the Bonds then Outstanding and there shall have been offered to the Trustee security and indemnity satisfactory to it against the costs and liabilities to be incurred therein or thereby, and (C) the Trustee shall have refused or neglected to comply with such request within a reasonable time, or (ii) (A) such holder previously shall have obtained the written consent of the Trustee of the institution of such suit, action or proceeding, and (B) such suit, action or proceeding is brought for the ratable benefit of all holders of all Bonds, subject to the provisions of the Resolution.

(E) The holders of not less than a majority in principal amount of the Outstanding Bonds may direct the time, method and place of conducting any remedial proceeding available to the Trustee, provided that the Trustee is provided with adequate security and indemnity and shall have the right to decline to follow the direction (i) if the Trustee is advised by counsel that the action or proceeding may not lawfully be taken or (ii) if the Trustee determines in good faith that the action or proceeding would involve the Trustee in personal liability or that the action or proceeding would be unjustly prejudicial to the holders of Bonds not parties to the direction.

Section 8.6. Remedies Not Exclusive. No remedy conferred by the Resolution upon the Trustee or the holders of the Bonds is intended to be exclusive of any other remedy, but each shall be in addition to every other remedy given under the Resolution or provided at law or in equity or by statute; provided, however, that the holders of the Bonds shall not have the right to appoint a trustee under the Act to represent them.

Section 8.7. Waivers of Default. No delay or omission of the Trustee or of any holder of Bonds to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or be construed to be a waiver of the Event of Default. The holders of not less than 66 2/3% in principal amount of the Outstanding Bonds may on behalf of the holders of all of the Bonds waive any past default under the Resolution and its consequences, except a default in the payment of the principal or redemption price of and interest on any of the Bonds. No such waiver shall extend to any subsequent or other default.

Section 8.8. Notice of Events of Default. Within 60 days after the occurrence of an Event of Default becomes known to the Trustee by the delivery of written notice to the Trustee, the Trustee shall mail notice of the Event of Default to the Bondholders, in the manner provided in Section 13.3, unless the Event of Default has been cured before the giving of the notice.

Section 8.9. Powers of Bondholders. The rights and powers conferred on Bondholders in this Article VIII shall apply only to holders of Outstanding Bonds, and not to holders of subordinate obligations, issued under Section 26.

ARTICLE IX

AMENDING AND SUPPLEMENTING THE RESOLUTION

Section 9.1. Without Consent of Bondholders. (A) The District may from time to time, without the consent of any Bondholder but with the written concurrence of the Trustee if a Supplemental Resolution materially affects the Trustee's duties or responsibilities or is adopted under clause (5) below, adopt Supplemental Resolutions (i) to provide for the issuance of Additional Bonds pursuant to Article II; (ii) to make changes in the Resolution which may be required to permit the Resolution to be qualified under the Trust Indenture Act of 1939 as amended; (iii) to make provisions relating to the Reserve and Contingency Fund and the use of income from the investment of Funds and Accounts as permitted by the Resolution; (iv) to make changes in the Resolution which may be required to permit interest on Bonds to remain exempt from federal income tax; and (v) for any one or more of the following purposes:

- (1) To cure or correct any ambiguity, defect or inconsistency in the Resolution;
- (2) To add additional covenants and agreements of the District for the purpose of further securing the payment of the Bonds;
- (3) To surrender any right, power or privilege reserved to or conferred upon the District by the Resolution;
- (4) To confirm any lien or pledge created or intended to be created by the Resolution;
- (5) To confer upon the holders of the Bonds additional rights or remedies or to confer upon the Trustee for the benefit of the holders of the Bonds additional rights, duties, remedies or powers; and

(6) To modify the Resolution in any other respects; provided that the modification shall not be effective until after the Outstanding Bonds cease to be Outstanding, or until the Bondholders consent pursuant to Section 9.2.

(B) The provisions of Section 9.2 relating to notice of Supplemental Resolutions do not apply to a Supplemental Resolution adopted under this section except as expressly made applicable by the foregoing clause (6).

Section 9.2. With Consent of Bondholders. With the written concurrence of the Trustee and the consent of the holders of not less than 66 2/3% in principal amount of the Outstanding Bonds, the District may from time to time adopt Supplemental Resolutions for the purpose of making other changes in the Resolution; provided, however, that, without the consent of the holder of each Bond which would be affected, no Supplemental Resolution shall (i) change the maturity date for the payment of the principal of any Bond or the dates for the payment of interest on the Bond or the terms of the redemption of the Bond, or reduce the principal amount of any Bond or the rate of interest on the Bond or the redemption price, (ii) reduce the percentage of consents required under this proviso for a Supplemental Resolution, or (iii) give to any Bond any preference over any other Bond; and provided further that, without the consent of the holders of not less than 66 2/3% in principal amount of the outstanding Term Bonds of each Series and maturity which would be affected, no Supplemental Resolution shall (i) change the amount of any sinking fund installments for the retirement of Term Bonds or the due dates of the installments or the terms for the purchase or redemption of Bonds from the installments, or (ii) reduce the percentage of consents required under this proviso for a Supplemental Resolution. It shall not be necessary that the consents of the holders of the Bonds approve the particular wording of the proposed Supplemental Resolution if the consents approve the substance. After the holders of the required percentage of Bonds have filed their consents with the Trustee, the Trustee shall mail notice to the Bondholders in the manner provided in Section 13.3. No action or proceeding to invalidate the Supplemental Resolution or any of the proceedings for its adoption shall be instituted or maintained unless it is commenced within 60 days after the mailing of the notice. The validity of a Supplemental Resolution shall not be affected by any failure to give notice by mail or by any defect in the mailed notice.

Section 9.3. Notation upon Bonds; New Bonds Issued upon Amendments. Bonds delivered after the effective date of a Supplemental Resolution may bear a notation as to the Supplemental Resolution, by endorsement or otherwise. In that case, upon demand of the holder of any Outstanding Bond and the presentation of his Bond to the Trustee, or at such additional office, if any, as the District may select for the purpose, a suitable notation shall be made on the Bond. If the District so determines, new Bonds modified to conform to the amendments made by the Supplemental Resolution shall be prepared and executed. Upon demand of the holder of any Outstanding Bond, the new Bond shall be exchanged, without cost to the holder, for the Outstanding Bond, at the corporate trust office of the Trustee.

Section 9.4. Effective Date of Supplemental Resolution. Upon the adoption of a Supplemental Resolution pursuant to this Article and the delivery to the Trustee of an opinion of counsel to the District that the Supplemental Resolution has been duly adopted and is permitted by the Resolution and will upon taking effect be valid and binding and enforceable in accordance with its terms (subject to exception on account of laws enacted for the relief of debtors and the

exercise of judicial discretion), or upon such later date as may be specified in the Supplemental Resolution, the Supplemental Resolution shall take effect and shall be a part of the Resolution.

Section 9.5. Supplemental Resolution Affecting Trustee. No Supplemental Resolution reducing the rights or enlarging the duties and obligations of the Trustee shall take effect without the written consent of the Trustee.

ARTICLE X

EXECUTION OF INSTRUMENTS AND EXCLUSION OF BONDS

Section 10.1. Execution of Instruments by Bondholders and Proof of Same. (A) Any action which may be taken under the Resolution by one or more Bondholders may be taken or authorized by an instrument or instruments signed by the holders in person or by agents duly appointed by written instrument. Proof of the signing of an instrument (including an instrument appointing an agent), and of the holding of Bonds, shall be sufficient if made in the following manner:

(1) The fact and date of signing may be proved by the certificate of a notary public or other officer empowered by law to take acknowledgments of deeds (in the state where acknowledgment occurs), to the effect that the person signing the instrument acknowledged to him its execution, or may be proved by an affidavit of a witness to the signing.

(2) The amount and the numbers or other descriptive details of the Bonds and the date of holding may be proved by the affidavit of the person claiming to be the holder, if the affidavit is deemed by the District or the Trustee to be satisfactory, or by a certificate issued by a trust company, bank, or other depository, if the certificate is deemed by the District or the Trustee to be satisfactory, showing that on a specified date the person had on deposit with the trust company, bank or other depository, or exhibited to it, the Bonds described in the certificate. The District and the Trustee may nevertheless, in their separate discretion, require further proof in cases where they or either of them deems further proof desirable, and may require any Bond to be submitted for inspection to the Trustee.

(3) The ownership of Bonds shall be proved by the books of registry for the Bonds maintained by the Trustee.

(B) Nothing contained in this section shall be construed as limiting the District or the Trustee, in their separate discretion, to the proof specified above. The District and the Trustee in their separate discretion may accept other evidence which to them may seem sufficient.

(C) Any action by the holder of a Bond under the Resolution shall bind the holder taking the action and every future holder of the same Bond, whether or not the future holder has knowledge of the action; provided that any action by the holder of a Bond under the Resolution may be revoked by the holder taking the action or by a subsequent holder of the same Bond by a

written instrument filed with the District and the Trustee prior to the time when the required percentage of the Bondholders have concurred in the action.

Section 10.2. Exclusion of Bonds Held by District and of Bonds No Longer Deemed Outstanding. In determining whether the holders of the requisite principal amount of Bonds have concurred in any action under the Resolution, any Bonds which are owned by or for the District and, except for the purpose of Section 11.1, any Bonds which are deemed no longer Outstanding pursuant to Section 11.1, shall be disregarded, but the Trustee shall be protected in relying on the action as to Bonds owned by or for the District unless the Trustee knows them to be so owned.

ARTICLE XI

DEFEASANCE; MONEYS HELD FOR PAYMENT OF PARTICULAR BONDS

Section 11.1. Discharge of Pledge; Bonds No Longer Deemed Outstanding. (A) The obligations of the District under the Resolution and the pledge, covenants and agreements of the District made in the Resolution shall be discharged and satisfied as to any Bond and the Bond shall no longer be deemed to be Outstanding under the Resolution:

(1) when the Bond has been cancelled or surrendered for cancellation, or has been purchased by the Trustee from moneys held by it under the Resolution; or

(2) when payment of the principal or the redemption price of the Bond, plus interest on the principal to the due date (whether at maturity or upon redemption or otherwise) or to the date set for payment under Section 8.4 in the case of an overdue Bond, either (i) has been made or (ii) has been provided for by irrevocably setting aside with the Trustee for the purpose (A) moneys sufficient to pay the principal or redemption price and interest or (B) Investment Securities (which for the purposes of this Article shall include only those obligations described in item (1) and (2) of the definition of Investment Securities) maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to pay the principal or redemption price and interest when required, and when all proper fees and expenses of the Trustee pertaining to the Bond have been paid or provided for to the satisfaction of the Trustee.

When a Bond is deemed to be no longer Outstanding under the Resolution pursuant to clause (1) or (2)(i) of this subparagraph (A) or, if the Bond has become due, pursuant to clause (2)(ii), it shall cease to draw interest. When a Bond is deemed to be no longer Outstanding under the Resolution pursuant to either clause (1) or clause (2) of this subparagraph (A), it shall no longer be secured by the Resolution except for the purpose of payment from the moneys or Investment Securities set aside for its payment pursuant to clause (2)(ii). Notwithstanding the foregoing, in the case of Bonds which are to be redeemed prior to their stated maturities, no deposit under clause (2) of this subparagraph (A) shall operate as a discharge and satisfaction until the Bonds have been irrevocably called or designated for redemption and proper notice of the redemption has been given or provision satisfactory to the Trustee has been irrevocably made for giving the notice.

(B) Any moneys deposited with the Trustee as provided in this section may be invested and reinvested in Investment Securities permitted under clause (2)(ii)(B) of subparagraph (A) of this section maturing in the amounts and times as required and any income from the investment not required for the payment of the principal or redemption price and interest on the Bonds shall be paid to the District and credited to the Revenue Fund.

(C) Notwithstanding any provision of any other Section of the Resolution, all moneys or Investment Securities set aside pursuant to this Section for the payment of the principal or redemption price of and interest on Bonds shall be held in trust and used solely for the payment of the particular Bonds with respect to which the moneys or Investment Securities have been set aside.

(D) Notwithstanding Article IX, if moneys or Investment Securities have been set aside with the Trustee pursuant to this Section for the payment of Bonds and the Bonds are deemed to be no longer Outstanding under the Resolution, but the Bonds have not in fact been paid, no amendment of this Article shall be made without the consent of the holder of each Bond affected by the amendment.

(E) The District may at any time surrender to the Trustee for cancellation Bonds which the District has acquired with funds in the Sinking Fund Account or otherwise, and the Bonds shall thereupon be deemed paid and no longer Outstanding.

Section 11.2. Bonds Not Presented for Payment When Due. If a Bond is not presented for payment when the principal becomes due, or if checks for interest on Bonds are not presented for payment and if sufficient funds are held by the Trustee for that purpose, liability of the District for the payment shall cease and the Trustee shall hold the funds without liability to the holder of the Bond for earnings on the funds, in trust for the benefit of the holder of the Bond. The holder shall thereafter be restricted exclusively to the funds so held for any claim for the payment. Subject to applicable law, any funds held by the Trustee remaining unclaimed for two years after the payment became due shall be paid to the District, and the holder of the Bonds shall thereafter be entitled to look only to the District for payment.

ARTICLE XII

FORMS OF BONDS

Section 12.1. Forms of Bonds. Except as otherwise provided in the Supplemental Resolution providing for their issuance, the form of Bond, Certificate of Authentication, and Assignment of Bonds shall be in substantially the forms set forth in this Section.

(FORM OF BOND)

UNITED STATES OF AMERICA

STATE OF VERMONT

EAST CENTRAL VERMONT TELECOMMUNICATIONS DISTRICT

TELECOMMUNICATIONS PROJECT REVENUE BOND

SERIES _____

No. R- _____

\$ _____

Maturity Date:

Interest Rate:

Bond Date:

CUSIP _____

Registered Owner: Cede & Co.

Principal Amount:

Dollars

East Central Vermont Telecommunications District (the "District"), a body politic and corporate and a public instrumentality of the State of Vermont, for value received, promises to pay to the Registered Owner of this Bond, or registered assigns, but solely from the Revenues and other moneys and securities provided under the Resolution mentioned in this Bond, on the Maturity Date the Principal Amount, and to pay interest, but solely out of such Revenues and other moneys and securities, at the Interest Rate on such Principal Amount from the most recent _____ 1 or _____ 1 to which interest has been paid or duly provided for or, if no interest has been paid, from the Bond Date, payable on _____ 1, 20__, and semi-annually on the first day of December and June in each year thereafter until payment of such Principal Amount, and, to the extent permitted by law, interest on overdue interest at the same rate. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Bonds are being issued in fully registered form by means of a book-entry-only system, with bond certificates immobilized at The Depository Trust Company ("DTC"), and not

available for distribution to the public, evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. So long as Cede & Co. is the Registered Owner of this bond, principal of and interest on this bond is payable in same day funds to Cede & Co., as nominee of DTC, as Registered Owner of this bond. Transfer of payments of principal of and interest on this bond to participants of DTC is the responsibility of DTC; transfer of payments of principal of and interest on this bond to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The District and the Trustee are not responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

The principal or redemption price of and interest on this bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts. So long as the Bonds of this Series are in book-entry form, the principal or redemption price of the Bonds will be made to Cede & Co., such other nominee as may be requested by an authorized representative of DTC, and shall be payable at the principal office of People's United Bank, National Association, Burlington, Vermont, the Trustee under the Resolution, or its successor in trust. Interest on this bond shall be payable to the Registered Owner at its address appearing on the registration books of the District maintained at the corporate trust office of the Trustee, determined as of the close of business on the applicable record date. While DTC or its nominee is the Registered Owner of the Bonds, the principal of and interest on this bond shall be paid by check or draft to the Registered Owner, or registered assigns, in accordance with procedures established between the District and DTC.

The record date for payment of interest shall be the fifteenth day of the month next preceding the date on which the interest is to be paid or, if such fifteenth day is not a business day, the next preceding business day, provided that, with respect to overdue interest or interest payable on redemption of this bond other than on an interest payment date or interest on any overdue amount, the Trustee may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Trustee will give notice of a special record date by mailing a copy of such notice to the registered owners of all Bonds outstanding at least ten (10) days before the special record date or in such other time and manner as the Trustee may deem appropriate.

This bond is one of a series of bonds aggregating _____ Dollars (\$ _____) in principal amount, issued by the District pursuant to Chapter 82 of Title 30 and Subchapter 2 of Chapter 53 and Chapter 54 of Title 24, Vermont Statutes Annotated, and Section 21 of No. 41 of the Acts of 2015, and a Resolution duly adopted by the Governing Board of the District on _____, 20__, and as supplemented and amended by one or more supplemental series resolutions including a supplemental resolution duly adopted by the Board on _____, 20__. Bonds may be issued under the Resolution in one or more series from time to time for the purpose of paying the costs of the District in acquiring and constructing its Project and for certain other limited purposes provided in the Resolution.

THIS BOND SHALL NOT CONSTITUTE A GENERAL OBLIGATION OF THE DISTRICT WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION, BUT SHALL BE A LIMITED OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM, AND SECURED SOLELY BY, THE PLEDGE AND LIEN ON THE NET REVENUES SPECIFICALLY PLEDGED THERETO PURSUANT TO THE SUPPLEMENTAL RESOLUTION. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE STATE OF VERMONT OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL, PREMIUM (IF ANY) OR INTEREST ON THE BOND AND NEITHER THE STATE OF VERMONT NOR ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE DISTRICT, SHALL BE OBLIGATED TO PAY THE PRINCIPAL, PREMIUM (IF ANY) OR INTEREST THEREON.

This bond is fully negotiable for all purposes of the Uniform Commercial Code section 1-101 et seq. of Title 9A of the Vermont Statutes Annotated, and each holder or owner of this bond by accepting this bond shall be conclusively deemed to have agreed that this bond is fully negotiable for those purposes.

Reference is made to the Resolution (as supplemented and amended) for, among other things, definitions of terms; the nature and extent of the security for the Bonds; the properties constituting the Project; the manner of enforcement of the pledge; the terms and conditions upon which additional Bonds may be issued; the conditions upon which the Resolution may be amended or supplemented with and without the consent of the holders of the Bonds; acceleration of principal in the event of default; remedies and limitations of remedies; and the terms upon which Bonds may no longer be secured by the Resolution if sufficient moneys or specified securities are deposited with the Trustee in trust for their payment. Copies of the Resolution (including any supplemental resolutions) may be inspected at the office of the District and at the corporate trust office of the Trustee.

The Bonds of this series are subject to mandatory redemption upon the occurrence of an Event of Taxability (as defined in the Resolution), and also subject to redemption prior to maturity, on any semi-annual payment date, at the option of the District, on or after _____ 1, 20__, as a whole or in part at any time, as determined by the District and by lot within a maturity, at the redemption prices set forth below, together with interest up to but not including the date fixed for redemption.

Period During Which Redeemed	Redemption
<u>(Both Dates Inclusive)</u>	<u>Prices</u>
December 1, 20__ – December 1, 20__	100%

The Bonds of this series maturing on _____ 1, 20__ through _____ 1, 20__, both dates inclusive, are subject to mandatory redemption out of amounts deposited in the Sinking Fund Account created in the Resolution.

In the event this bond is called for redemption, notice shall be mailed not less than thirty (30) days prior to the redemption date, to the registered holder at his or her address as shown on the books of registry. If this bond is of a denomination in excess of \$5,000, portions of the principal sum in the amount of \$5,000 or any multiple of \$5,000 may be redeemed. If less than all of the principal sum is to be redeemed, upon the surrender of this bond to the Trustee there shall be issued to the registered owner at the corporate trust office of the Trustee, without charge, Bonds for the unredeemed balance of the principal sum. If this bond (or any portion) is duly called for redemption and notice is duly given, and if on or before the redemption date there are on deposit with the Trustee sufficient funds to pay at the redemption price and the interest on the principal amount redeemed to the date of redemption, this bond (or the portion to be redeemed) shall become due and payable upon the redemption date and interest shall cease to accrue from and after the redemption date on the principal amount to be redeemed.

The Bonds of this series are issuable as fully registered Bonds in the denomination of \$5,000 or any multiple of \$5,000 in excess thereof.

This bond is transferable by the registered holder, in person or by his or her attorney duly authorized in writing, at the corporate trust office of the Trustee, subject to the limitations and upon payment of the charges, if any, provided in the Resolution and upon the surrender of this bond to the Trustee for cancellation. Upon the transfer a new registered Bond or Bonds of the same aggregate principal amount will be issued to the transferee at the same office. The payee in whose name this bond is issued is the registered holder. The District and the Trustee may treat the registered holder as the owner and shall not be affected by notice to the contrary.

It is hereby certified, recited and declared that all acts, conditions and things required to have happened, to exist and to have been performed precedent to and in the issuance of this bond and the series of which it is one have happened, do exist and have been performed in regular and due time, form and manner; that this bond and the series of which it is one does not exceed any constitutional or statutory limitation of indebtedness; and that provision has been made for the payment of the principal of and interest on this bond and the series of which it is one as provided in the Resolution.

This bond shall not be valid unless the Certificate of Authentication on the bond is signed by the Trustee.

EAST CENTRAL VERMONT
TELECOMMUNICATIONS DISTRICT

By: _____
Chair, Governing Board

And By: _____
District Treasurer

(SEAL)

CERTIFICATE OF AUTHENTICATION

This bond is one of the Bonds described in the Resolution mentioned in the bond.

_____, as Trustee

By: _____
Authorized Signature

FORM OF ASSIGNMENT

For value received _____ sells, assigns and transfers this bond to _____ and irrevocably appoints _____ attorney-in-fact to transfer it on the books of registry at the corporate trust office of the Trustee as Registrar with full power of substitution.

Dated: _____

NOTE: The signature to this assignment must correspond with the name as written on the face of the bond without alternation or enlargement or other change.

ARTICLE XIII

MISCELLANEOUS

Section 13.1. Benefits of Resolution Limited to the District, Trustee and Bondholders. Nothing in the Resolution or the Bonds is intended to confer upon any person other than the District, the Trustee, insurers under Bond Insurance and the holders of the Bonds any legal or equitable right, remedy or claim.

Section 13.2. Resolution Binding Upon Successors or Assigns of the District. The Resolution shall be binding upon the successors and assigns of the District, and shall inure to the benefit of the Trustee, their successors in trust, insurers under Bond Insurance and the holders of the Bonds.

Section 13.3. Notices to Bondholders. Except as is otherwise provided in the Resolution, any provision in the Resolution for the mailing of a notice to holders of the Bonds shall be complied with by mailing, (i) to each registered holder at his address, if any, appearing upon the books of registry and (ii) to each owner of any of the Bonds whose name and address appears upon the list maintained pursuant to Section 6.5.

Section 13.4. Notices to Others. Wherever provision is made in the Resolution for a notice, direction or request to the District or the Trustee, the same shall be complied with by a letter or instrument in writing (i) delivered at or (ii) mailed by registered mail, return receipt requested, to:

(A) in the case of the District, to the General Manager, delivered in writing, in person, or sent by mail, to 415 Waterman Road, Royalton, VT 05068-5117; and

(B) in the case of the Trustee, Two Burlington Square, Burlington, VT 05402-0820, Attention: Corporate Trust.

or in either case, at such other office or addressed in such other manner as the party to whom the notice is given has designated by written notice to the other parties mentioned in this section.

Section 13.5. Waiver of Notice. Notice under the Resolution may be waived by the person entitled to receive it.

Section 13.6. Partial Invalidity. If any provision of the Resolution is held invalid in any circumstance, that invalidity shall not affect any other provisions or circumstances.

Section 13.7. Law and Place of Enforcement of the Resolution. The Resolution shall be construed and governed in accordance with the laws of the State of Vermont and all suits and actions arising out of the Resolution shall be instituted in a court of competent jurisdiction in the State of Vermont.

Section 13.8. Effective Date. The Resolution shall take effect upon its adoption.

EXHIBIT A

FORM OF REQUISITION

Requisition No. ____

EAST CENTRAL VERMONT TELECOMMUNICATIONS DISTRICT
 PROJECT REVENUE BONDS
 SERIES _____

REQUISITION FOR PAYMENT FROM PROJECT CONSTRUCTION FUND

1. The following sums are requisitioned for payment to other than the East Central Vermont Telecommunications District.

<u>Item</u> <u>No.</u>	<u>Amount</u>	<u>Payee</u>	<u>Purpose</u>	<u>Pymt</u> <u>Method</u> <u>Ck/Wire</u>
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TOTAL:

Please confirm that payment instructions for all of the above are included.

2. The following sums are requisitioned for reimbursement to the East Central Vermont Telecommunications District.

<u>Item</u> <u>No.</u>	<u>Amount</u>	<u>Payee</u>	<u>Purpose</u>	<u>Pymt</u> <u>Method</u> <u>Ck/Wire</u>
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TOTAL:

Instructions for payments to be made by check:

Instructions for payments to be made by wire transfer:

Bank Name:	
Bank ABA Number:	
Bank Account Number:	
Bank Account Name:	
Additional instructions:	

3. In connection with this Requisition, the undersigned hereby certifies that (i) after giving effect to the payment of the requisition, the use of all funds disbursed from the Project Construction Fund complies with the limitations contained in the Tax Certificate; (ii) such payment or reimbursement is for Costs of Acquisition and Construction and the obligations have not been the basis for a prior requisition that has been paid; (iii) no Event of Default and no event or condition that, after notice or lapse of time or both, would become an Event of Default under the Resolution (as defined below) exists and the representations and warranties of the District contained in the Resolution are true and correct as of the date hereof (except to the extent such representations and warranties relate solely to an earlier date); (iv) the payment or reimbursement requested by the requisition is due for costs and expenses for labor, materials, property or services actually supplied to the Project prior to the date of the requisition, or for deposits on equipment not yet supplied to the Project; (v) the payment or reimbursement requested by the requisition will be disbursed in payment of, or is reimbursement for the District's prior payment of, materials or property supplied for the Project by suppliers listed in the requisition; and (vi) all materials, equipment or other property included in the requisition have been supplied in accordance with the Project specifications.

All capitalized terms used but undefined herein have the meanings assigned to them in the General Bond Resolution adopted on March 8, 2016 (the "Resolution") by the Governing Board of the East Central Vermont Telecommunications District.

Dated:

EAST CENTRAL VERMONT
TELECOMMUNICATIONS DISTRICT

By: _____
Authorized Officer

**EAST CENTRAL VERMONT TELECOMMUNICATION DISTRICT
GOVERNING BOARD**

RESOLUTION CERTIFICATE

The undersigned does certify that the following resolution was duly adopted at a regular meeting of the Governing Board of the East Central Vermont Telecommunications District (the "District") held on August 14, 2018, and that the same remains in full force and effect, and has not been rescinded or amended in any way:

BE IT RESOLVED THAT, pursuant to Section 9.1(A)(iii) of the District's General Bond Resolution adopted March 8, 2016, Section 5.4 of said resolution is amended to read:

Section 5.4. Reserve and Contingency Fund. (A) There is hereby established a special trust fund of the District to be held by the Trustee and to be known as the "Project Reserve and Contingency Fund." The Reserve and Contingency Fund shall be used to pay, as the District, at its sole discretion determines for (1) necessary renewals, replacements, modifications, capital additions, betterments and extraordinary repairs of the Project, (2) costs of retirement from service, decommissioning, disposal and termination of the Project, and (3) extraordinary operation and maintenance costs and the costs of preventing or correcting any unusual loss or damage (including major repairs and insurance deductible payments). Any Supplemental Resolution providing for the issuance of a Series of Bonds may provide for a deposit from the proceeds of the Bonds into the Reserve and Contingency Fund. Prior to December 31 of each calendar year, Sixty (60) days prior to the last day of each Bond year, the District shall certify to the Trustee the aggregate number of miles of Project telecommunication lines, and for the next following calendar year ~~Bond Year~~ the Reserve and Contingency Fund requirement shall be adjusted as provided in Section 1.1 (PP). If on the last day of any Bond Year the amount in the Reserve and Contingency Fund, after deducting any amount committed or obligated for the purposes specified in this Section but not yet paid, is greater than the Reserve and Contingency Fund Requirement, the Trustee, after making any payment required by this Section, shall pay the excess to the Revenue Fund. If on the last day of any Bond Year the amount in the Reserve and Contingency Fund is under the Reserve and Contingency Fund Requirement, the Trustee shall make up the deficiency by transfer from the Revenue Fund.

ATTEST:


District Clerk

EAST CENTRAL VERMONT
TELECOMMUNICATIONS DISTRICT

Project Revenue Bonds
Series 2019A Resolution

Adopted: July 9, 2019 and
November 12, 2019

Authorizing the Issuance of

\$10,000,000

East Central Vermont Telecommunications District

Project Revenue Bonds
Series 2019A

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A SUPPLEMENTAL RESOLUTION AUTHORIZING THE
ISSUANCE OF \$10,000,000
PROJECT REVENUE BONDS,
SERIES 2019A BONDS OF THE EAST CENTRAL VERMONT
TELECOMMUNICATIONS DISTRICT

WHEREAS, the Governing Board (the "Board") of the East Central Vermont Telecommunications District (the "District"), by Resolution adopted March 8, 2016, and subsequently amended on August 14, 2018, (hereinafter collectively referred to as the "Resolution"), has created and established an issue of Bonds of the District;

WHEREAS, the Resolution authorizes the issuance of said Bonds in one or more series pursuant to a Supplemental Resolution authorizing such series; and

WHEREAS, the Board of the District has determined that it is necessary and required that the District issue at this time a series of Bonds to be designated "Project Revenue Bonds, Series 2019A", to provide monies to carry out the Project as hereinafter defined;

BE IT RESOLVED BY THE BOARD OF THE DISTRICT AS FOLLOWS:

ARTICLE I

AUTHORITY AND DEFINITIONS

101. Supplemental Resolution. This Supplemental Resolution (hereinafter referred to as "Project Revenue Bonds Series 2019A Resolution") is adopted in accordance with the provisions of Article II, Section 2.2 and Article IX, Section 9.1(A)(i), of the Resolution and pursuant to the authority contained in the Act.

102. Definitions. (1) All terms used herein and not otherwise defined shall have the meaning assigned to such terms in the Resolution.

(2) In this Project Revenue Bonds Series 2019A Resolution, Project Revenue Bonds, Series 2019A shall mean the Bonds authorized by Article II hereof.

ARTICLE II

AUTHORIZATION OF PROJECT REVENUE BONDS
SERIES 2019A

201. Principal Amount, Designation and Series. Pursuant to the provisions of the Resolution, a Series of Bonds is hereby authorized in the aggregate principal amount of \$10,000,000. Such Bonds shall be designated as "Project Revenue Bonds, Series 2019A" (hereinafter, the "Series 2019A Bonds").

202. Purposes. The purpose for which the Series 2019A Bonds are being issued for the purpose of:

- (1) Pay the costs of Project extensions and expenses; and
- (2) Pay costs of issuance.

203. Date, Maturities and Interest Rates. The Series 2019A Bonds shall initially be dated on or about December 1, 2019. The Series 2019A Bonds shall mature on December 1 of each year, in the years and principal amounts, and shall bear interest at the rates per annum as set forth in Item 1 of Appendix A.

204. Interest Payments. The Series 2019A Bonds shall be issued in fully registered form and shall bear interest from their date, payable on June 1, 2020 and semi-annually thereafter on December 1 and June 1.

205. Denominations, Numbers and Letters. The Series 2019A Bonds shall be issued in the denomination of \$5,000 or any integral multiple thereof, not exceeding the aggregate principal amount of Series 2019A Bonds maturing in the year of maturity of the Bond for which the denomination is to be specified. The Series 2019A Bonds shall be lettered as follows: 2019A-1-___. The Series 2019A Bonds shall be numbered separately from one (1) consecutively upwards within each stated maturity. The Series 2019A Bonds will be issued as fully registered bonds.

206. Places of Payment and Paying Agents. U. S. Bank National Association, Hartford, Connecticut, the Trustee appointed under Section 6.1 of the Resolution, is hereby appointed Paying Agent for the Series 2019A Bonds. The principal and redemption price of all Series 2019A Bonds shall be payable at the corporate trust office of the Trustee. Interest shall be payable by check or draft mailed by the Trustee and Paying Agent on each interest payment date to the Holders of record of the Bonds, determined as of the close of business on the November 15 and May 15 next preceding such interest payment date, at the addresses as shown on the registration books maintained by the Trustee.

207. Optional and Mandatory Redemption. The Series 2019A Bonds are subject to optional and mandatory redemption as set forth in the Bonds, as well as mandatory Sinking Fund Redemption pursuant to Schedule I.

208. Special Redemption Prices and Terms. The Series 2019A Bonds shall be subject to special redemption at par at the option of the Issuer, in whole at any time, or in part on any interest payment date on and after December 1, 2024, from (i) moneys available therefor in the Special Redemption Fund (ii) from insurance proceeds available pursuant to Section 7.5 of the Resolution, (iii) from the proceeds of a sale, lease or other disposition of the Project pursuant to Section 7.6 of the Resolution, (iv) from eminent domain proceeds pursuant to Section 7.6 of the Resolution, and (v) from excess moneys transferred from the Construction Fund pursuant to Section 5.7 of the Resolution. Notice of redemption shall be given as provided in the Resolution.

209. Sale of the Series 2019A Bonds. The Series 2019A Bonds authorized herein shall be sold to Municipal Capital Markets Group, Inc., at an aggregate price of \$9,837,631.70.

210. Book-Entry-Only Bonds.

(a) Initial Delivery to be in Book-Entry-Only Form. The Series 2019A Bonds initially shall be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The District shall deposit with a securities depository, initially The Depository Trust Company, New York, New York ("DTC" or the "Securities Depository"), one bond certificate, registered in the name of its nominee, for each stated maturity of the 2019 Series A Bonds, and said certificates shall remain in the Securities Depository's (or a successor securities depository's) custody so long as it (or such successor securities depository) shall serve as the Securities Depository for the Series 2019A Bonds. In the event the Securities Depository (or a successor securities depository) determines to discontinue acting as Securities Depository for the Bonds or the District determines to discontinue the use of a book-entry system through the Securities Depository (or a successor securities depository) the District may designate a successor securities depository and enter into such agreements as are necessary or desirable to effectuate the appointment of a successor securities depository. The District and the Trustee shall comply with their representations set forth in the letter of representations addressed to DTC, a copy of which is attached hereto as Exhibit C (the "DTC Letter of Representations"), for so long as DTC acts as the Securities Depository.

(b) Securities Depository is Deemed Bondholder. With respect to Series 2019A Bonds registered in the name of a Securities Depository, the District, the Trustee and the Paying Agent shall have no responsibility or obligation to any DTC direct or indirect participant ("participant") or to any beneficial owner of such Bonds. Without limiting the immediately preceding sentence, the District, the Trustee and the Paying Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of a Securities Depository, its nominee, or any participant or any nominee of a beneficial owner with respect to any beneficial ownership interest in the Series 2019A Bonds, (ii) the delivery to any participant, beneficial owner or other person other than the Securities Depository, of any notice with respect to the Series 2019A Bonds, including any notice of redemption, or (iii) the payment to any participant, beneficial owner or other person, other than the Securities Depository, of any amount with respect to the principal or Redemption Price of, or interest on, the Series 2019A Bonds. The District, the Trustee and the Paying Agent may treat as, and deem the Securities Depository to be, the absolute owner of each 2019 Series Bond for all purposes whatsoever, including (but not limited to) (i) payment of the principal or Redemption Price of, and interest on, each such Bond, (ii) giving notices of redemption and other matters with respect to such Bonds and (iii) registering transfers with respect to such Bonds. The Paying Agent shall pay the principal or Redemption Price of, and interest on, all Series 2019A Bonds only to or upon the order of the Securities Depository, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to such principal or Redemption Price, and interest, to the extent of the sum or sums so paid. Except as provided in paragraph (c) of this Section, no person other than the Securities Depository shall receive a Series 2019A Bond evidencing the obligation of the District to make payments of principal or Redemption Price of, and interest on, such Bonds pursuant to the Resolution and this Project Revenue Bonds Series 2019A Resolution.

(c) Termination of Book-Entry-Only System. The District, in its sole discretion and without the consent of any other person may terminate the services of the Securities Depository with respect to the Series 2019A Bonds if the District determines that the continuation of the system of book-entry-only transfers through the Securities Depository (or a successor securities depository) is not in the best interests of the beneficial owners of such Bonds or is burdensome to the District. In the event the District decides to terminate the book-entry system for all or any portion of the Series 2019A Bonds, the Trustee will cooperate with the District to establish such system as the District shall determine of registered public obligations for all or any portion of the outstanding Bonds. Upon the termination, if any, of the book-entry system established for the Series 2019A Bonds, the District shall cause bond certificates in the authorized denominations to be delivered to each beneficial owner or its nominee of the Series 2019A Bonds representing each such beneficial owner's ownership of such Bonds issued pursuant to this Project Revenue Bonds Series 2019A Resolution.

ARTICLE III

DISPOSITION OF THE SERIES 2019A BOND PROCEEDS AND RESERVES

301. Construction Fund. Upon receipt of the proceeds of sale of the Series 2019A Bonds, the District shall pay therefrom to the Trustee for deposit in the Construction Fund the sum of \$9,425,131.70.

302. Debt Service Reserve Fund. The Debt Service Reserve Fund Requirement for the 2019A Series Bond shall be \$350,000.

303. Reserve and Contingency Fund. The Reserve and Contingency Requirement is \$199,400 as of August 1, 2019, which Requirement shall be recalculated as provided in Section 5.4 of the Resolution.

ARTICLE IV

SPECIAL COVENANTS

401. Tax Covenants. The District covenants that it will maintain information related to the District's tax covenants, investment of proceeds and amounts treated as proceeds, and payments made to the Rebate Fund and the United States with respect to the Series 2019A Bonds.

ARTICLE V

FORM AND EXECUTION OF SERIES 2019A BONDS

501. Form of Series 2019A Bonds. Subject to the provisions of the Resolution, Series 2019A Bonds in registered form, and the Trustee's certificate of authentication, shall be substantially as shown on Appendix B.

502. Execution of Series 2019A Bonds. The Board Chair and Treasurer are hereby authorized and directed to attest manually or by facsimile signature the execution of the Series 2019A Bonds in accordance with the provisions of Section 3.2 of the Resolution.

ARTICLE VI

AMENDMENT OF THE RESOLUTION

601. Amendment of the Resolution. The Resolution is amended as follows: (a) The penultimate paragraph of Section 6.2 of the Resolution is amended to read in its entirety as follows:

The Trustee shall not be required to monitor the financial condition of the District or the physical condition of the Project and, unless otherwise expressly provided, shall not have any responsibility with respect to notices, certificates, or other documents filed with it hereunder, except to make them available for inspection by the Bondholders. The Trustee shall not be deemed to have knowledge of and shall not be required to take notice of any Event of Default hereunder, except for an Event of Default described in Section 8.1(1) or (2) hereof relating to the payment of principal of, premium, if any, and interest on the Bonds, unless the Trustee shall be specifically notified in writing by the District or Bondholders representing not less than 25% in principal amount of the Bonds Outstanding.

ARTICLE VII

MISCELLANEOUS

701. Effective Date. This resolution shall take effect immediately.

Appendix B-2

Proposed Form of Supplemental Resolution

EAST CENTRAL VERMONT
TELECOMMUNICATIONS DISTRICT

Project Revenue Bonds
Series 2023A Resolution

Adopted: November 14, 2023

Authorizing the Issuance of

\$7,530,000

East Central Vermont Telecommunications District

Project Revenue Bonds
Series 2023A

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A SUPPLEMENTAL RESOLUTION AUTHORIZING THE
ISSUANCE OF \$7,530,000
PROJECT REVENUE BONDS,
SERIES 2023A BONDS OF THE EAST CENTRAL VERMONT
TELECOMMUNICATIONS DISTRICT

WHEREAS, the Governing Board (the “Board”) of the East Central Vermont Telecommunications District (the “District”), by a General Resolution adopted March 8, 2016, and subsequently amended on August 14, 2018, July 9, 2019, November 12, 2019, November 10, 2020, and November 9, 2021 (hereinafter collectively referred to as the “Resolution”), has created and established an issue of Bonds of the District;

WHEREAS, the Resolution authorizes the issuance of said Bonds in one or more series pursuant to a Supplemental Resolution authorizing such series; and

WHEREAS, the Board of the District has determined that it is necessary and required that the District issue at this time a series of Bonds to be designated “Project Revenue Bonds, Series 2023A”, to provide monies to carry out the Project as hereinafter defined;

BE IT RESOLVED BY THE BOARD OF THE DISTRICT AS FOLLOWS:

ARTICLE 1

AUTHORITY AND DEFINITIONS

101. Supplemental Resolution. This Supplemental Resolution (hereinafter referred to as “Project Revenue Bonds Series 2023A Resolution”) is adopted in accordance with the provisions of Article II, Section 2.2 and Article IX, Section 9.1(A)(i), of the Resolution and pursuant to the authority contained in the Act.

102. Definitions. (1) All terms used herein and not otherwise defined shall have the meaning assigned to such terms in the Resolution.

(2) In this Project Revenue Bonds Series 2023A Resolution, Project Revenue Bonds, Series 2023A shall mean the Bonds authorized by Article II hereof.

ARTICLE II

AUTHORIZATION OF PROJECT REVENUE BONDS
SERIES 2023A

201. Principal Amount, Designation and Series. Pursuant to the provisions of the Resolution, a Series of Bonds is hereby authorized in the aggregate principal amount of \$7,530,000. Such Bonds shall be designated as “Project Revenue Bonds, Series 2023A” (hereinafter, the “Series 2023A Bonds”).

202. Purposes. The Series 2023A Bonds are being issued for the purpose of:

- (1) Paying the costs of Project extensions and expenses; and
- (2) Paying costs of issuance.

203. Date, Maturities and Interest Rates. The Series 2023A Bonds shall initially be dated on or about November 28, 2023. The Series 2023A Bonds shall mature on December 1 of each year, in the years and principal amounts, and shall bear interest at the rates per annum as set forth in Item 1 of Appendix A.

204. Interest Payments. The Series 2023A Bonds shall be issued in fully registered form and shall bear interest from their date, payable on June 1, 2024, and semi-annually thereafter on December 1 and June 1.

205. Denominations, Numbers and Letters. The Series 2023A Bonds shall be issued in the denomination of \$5,000 or any integral multiple thereof, not exceeding the aggregate principal amount of Series 2023A Bonds maturing in the year of maturity of the Bond for which the denomination is to be specified. The Series 2023A Bonds shall be lettered as follows: R-2023A-1. If applicable, the Series 2023A Bonds shall be numbered separately from one (1) consecutively upwards within each stated maturity. The Series 2023A Bonds will be issued as fully registered bonds.

206. Places of Payment and Paying Agents. U.S. Bank Trust Company, National Association, Hartford, Connecticut, the Trustee appointed under Section 6.1 of the Resolution, is hereby appointed Paying Agent for the Series 2023A Bonds. However, so long as Cede & Co. is the registered owner of the Series 2023A Bonds, principal of and interest on the Series 2023A Bonds are payable in same day funds to Cede & Co., as nominee of the Depository Trust Company (“DTC”), as registered owner of the Series 2023A Bonds. Transfer of payments of principal of and interest on the Series 2023A Bonds to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The District and the Trustee are not responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. If Cede & Co. is not the registered owner of the Series 2023A Bonds, the principal and redemption price of all Series 2023A Bonds shall be payable at the corporate trust office of the Trustee. Interest shall be payable by check or draft mailed by the Trustee and Paying Agent on each interest payment date to the Holders of record of the Bonds, determined as of the close of business on the November 15 and May 15 next preceding such interest payment date, or if such fifteenth day is not a business day, the next preceding business day, at the addresses as shown on the registration books maintained by the Trustee.

207. Optional and Mandatory Redemption. The Series 2023A Bonds are subject to optional and mandatory redemption as set forth in the Bonds, as well as mandatory Sinking Fund Redemption pursuant to Schedule I attached hereto.

208. Special Redemption Prices and Terms. The Series 2023A Bonds shall be subject to special redemption at par at the option of the Issuer, in whole at any time, or in part on any interest payment date on and after December 1, 2035, from (i) moneys available therefor in the Special Redemption Fund (ii) from insurance proceeds available pursuant to Section 7.5 of the Resolution, (iii) from the proceeds of a sale, lease or other disposition of the Project pursuant to Section 7.6 of the Resolution, (iv) from eminent domain proceeds pursuant to Section 7.6 of the Resolution, and (v) from excess moneys transferred from the Construction Fund pursuant to Section 5.7 of the Resolution. Notice of redemption shall be given as provided in the Resolution.

209. Sale of the Series 2023A Bonds. The Series 2023A Bonds authorized herein shall be sold to Municipal Capital Markets Group, Inc., at an aggregate price of \$7,417,050, consisting of \$7,530,000 par amount of Bonds less underwriter's discount of \$112,950.

210. Book-Entry-Only Bonds.

(a) Initial Delivery to be in Book-Entry-Only Form. The Series 2023A Bonds initially shall be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The District shall deposit with a securities depository, initially The Depository Trust Company, New York, New York ("DTC" or the "Securities Depository"), one bond certificate, registered in the name of its nominee, for each stated maturity of the 2023 Series A Bonds, and said certificates shall remain in the Securities Depository's (or a successor securities depository's) custody so long as it (or such successor securities depository) shall serve as the Securities Depository for the Series 2023A Bonds. In the event the Securities Depository (or a successor securities depository) determines to discontinue acting as Securities Depository for the Bonds or the District determines to discontinue the use of a book-entry system through the Securities Depository (or a successor securities depository), the District may designate a successor securities depository and enter into such agreements as are necessary or desirable to effectuate the appointment of a successor securities depository. The District shall comply with their representations set forth in the letter of representations addressed to DTC for so long as DTC acts as the Securities Depository.

(b) Securities Depository is Deemed Bondholder. With respect to Series 2023A Bonds registered in the name of a Securities Depository, the District, the Trustee and the Paying Agent shall have no responsibility or obligation to any DTC direct or indirect participant ("participant") or to any beneficial owner of such Bonds. Without limiting the immediately preceding sentence, the District, the Trustee and the Paying Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of a Securities Depository, its nominee, or any participant or any nominee of a beneficial owner with respect to any beneficial ownership interest in the Series 2023A Bonds, (ii) the delivery to any participant, beneficial owner or other person other than the Securities Depository, of any notice with respect to the Series 2023A Bonds, including any notice of redemption, or (iii) the payment to any participant, beneficial owner or other person, other than the Securities Depository, of any amount with respect to the principal or Redemption Price of, or interest on, the Series 2023A Bonds. The District, the Trustee and the Paying Agent may treat as, and deem the Securities Depository to be, the absolute owner of each 2023 Series A Bond for all purposes whatsoever, including (but not

limited to) (i) payment of the principal or Redemption Price of, and interest on, each such Bond, (ii) giving notices of redemption and other matters with respect to such Bonds and (iii) registering transfers with respect to such Bonds. The Paying Agent shall pay the principal or Redemption Price of, and interest on, all Series 2023A Bonds only to or upon the order of the Securities Depository, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to such principal or Redemption Price, and interest, to the extent of the sum or sums so paid. Except as provided in paragraph (c) of this Section, no person other than the Securities Depository shall receive a Series 2023A Bond evidencing the obligation of the District to make payments of principal or Redemption Price of, and interest on, such Bonds pursuant to the Resolution and this Project Revenue Bonds Series 2023A Resolution.

(c) Termination of Book-Entry-Only System. The District, in its sole discretion and without the consent of any other person may terminate the services of the Securities Depository with respect to the Series 2023A Bonds if the District determines that the continuation of the system of book-entry-only transfers through the Securities Depository (or a successor securities depository) is not in the best interests of the beneficial owners of such Bonds or is burdensome to the District. In the event the District decides to terminate the book-entry system for all or any portion of the Series 2023A Bonds, the Trustee will cooperate with the District to establish such system as the District shall determine of registered public obligations for all or any portion of the outstanding Bonds. Upon the termination, if any, of the book-entry system established for the Series 2023A Bonds, the District shall cause bond certificates in the authorized denominations to be delivered to each beneficial owner or its nominee of the Series 2023A Bonds representing each such beneficial owner's ownership of such Bonds issued pursuant to this Project Revenue Bonds Series 2023A Resolution.

ARTICLE III

DISPOSITION OF THE SERIES 2023A BOND PROCEEDS AND RESERVES

301. Construction Fund. Upon receipt of the proceeds of sale of the Series 2023A Bonds, the District shall pay therefrom to the Trustee for deposit in the Construction Fund the sum of \$7,000,000.

302. Debt Service Reserve Fund. The Debt Service Reserve Fund Requirement for the 2023A Series Bond shall be \$275,000. The Trustee shall deposit this amount into the Debt Service Reserve Fund.

303. Reserve and Contingency Fund. The Reserve and Contingency Requirement is \$345,800 as of November 1, 2023, which Requirement shall be recalculated as provided in Section 5.4 of the Resolution. As of the date hereof, the Reserve and Contingency Fund is fully funded.

304. Expense Fund. The Cost of Issuance of the Project Revenue Bonds Series 2023A is \$142,050, which is net of the Underwriter's Discount of \$112,950. The Trustee shall deposit this amount into the Expense Fund.

ARTICLE IV

SPECIAL COVENANTS

401. Tax Covenants. The District covenants that it will maintain information related to the District's tax covenants, investment of proceeds and amounts treated as proceeds, and payments made to the Rebate Fund and the United States with respect to the Series 2023A Bonds.

ARTICLE V

FORM AND EXECUTION OF SERIES 2023A BONDS

501. Form of Series 2023A Bonds. Subject to the provisions of the Resolution, Series 2023A Bonds in registered form, and the Trustee's certificate of authentication, shall be substantially as shown on Appendix B.

502. Execution of Series 2023A Bonds. The Board Chair and Treasurer are hereby authorized and directed to attest manually or by facsimile signature the execution of the Series 2023A Bonds in accordance with the provisions of Section 3.2 of the Resolution.

ARTICLE VI

MISCELLANEOUS

701. Effective Date. This resolution shall take effect immediately.

Adopted at a regular meeting of the Governing Board of the East Central Vermont Telecommunications district duly called and convened on November 14, 2023, and by the Executive Committee of the Governing Board of the East Central Vermont Telecommunications District at a regular meeting thereof duly called and held on October 30, 2023.

ATTEST: _____
District Clerk

SCHEDULE IMandatory Sinking Fund Redemption

The Series 2023A Bonds are subject to mandatory redemption from sinking fund installments on each December 1 at their principal amounts without premium as follows:

<u>Year</u>	<u>Principal Amount</u>
2044	\$1,500,000
2045	3,000,000
2046 [†]	3,030,000

[†] Maturity Date.

Moneys on deposit in the Sinking Fund Account for a sinking fund installment of a maturity may, and if so directed by an Authorized Officer shall, be applied to the purchase of such maturity, at a price not exceeding the applicable redemption price, at least 60 days before the sinking fund installment date, and these purchases shall be credited against the sinking fund installment at the applicable redemption price. The District may also purchase Series 2023A Bonds of a maturity with other available funds (excluding funds in the Special Redemption Account) and credit them against a sinking fund installment applicable to them at the applicable redemption price by delivering them to the Trustee for cancellation at least 60 days before the sinking fund installment date.

APPENDIX A

1. Maturity Date and Corresponding Interest Rate

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2046	\$7,530,000	6.875%

APPENDIX B

UNITED STATES OF AMERICA

STATE OF VERMONT

EAST CENTRAL VERMONT TELECOMMUNICATIONS DISTRICT

PROJECT REVENUE BOND

SERIES 2023A

No. R-2023A- \$ _____

Maturity Date: December __, 20__

Interest Rate: __% per annum

Bond Date: _____,
2023

CUSIP _____

Registered Owner: Cede & Co.

Principal Amount: _____ Dollars

East Central Vermont Telecommunications District (the “District”), a body politic and corporate and a public instrumentality of the State of Vermont, for value received, promises to pay to the Registered Owner of this Bond, or registered assigns, but solely from the Revenues and other moneys and securities provided under the Resolution mentioned in this Bond, on the Maturity Date the Principal Amount, and to pay interest, but solely out of such Revenues and other moneys and securities, at the Interest Rate on such Principal Amount from the most recent June 1 or December 1 to which interest has been paid or duly provided for or, if no interest has been paid, from the Bond Date, payable on June 1, 2024, and semi-annually on the first day of December and June in each year thereafter until payment of such Principal Amount, and, to the extent permitted by law, interest on overdue interest at the same rate. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

This bond is being issued in fully registered form by means of a book-entry-only system, with bond certificates immobilized at the Depository Trust Company (“DTC”), and not available for distribution to the public, evidencing ownership of the bonds in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. So long as

Cede & Co. is the registered owner of this bond, principal of and interest on this bond is payable in same day funds to Cede & Co., as nominee of DTC, as registered owner of this bond. Transfer of payments of principal of and interest on this bond to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The District and the Trustee are not responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

The principal or redemption price of and interest on this bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts. So long as the Bonds of this Series are in book-entry form, the principal or redemption price of the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, and shall be payable at the principal office of U.S. Bank Trust Company, National Association, Hartford, Connecticut, the Trustee under the Resolution, or its successor in trust. Interest on this bond shall be payable by check or draft mailed to the Registered Owner at its address appearing on the registration books of the District maintained at the corporate trust office of the Trustee, determined as of the close of business on the applicable record date. While DTC or its nominee is the Registered Owner of the Bonds, the principal of and interest on this bond shall be paid by check or draft to the Registered Owner, or registered assigns, in accordance with procedures established between the District and DTC.

The record date for payment of interest shall be the fifteenth day of the month next preceding the date on which the interest is to be paid or, if such fifteenth day is not a business day, the next preceding business day, provided that, with respect to overdue interest or interest payable on redemption of this bond other than on an interest payment date or interest on any overdue amount, the Trustee may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Trustee will give notice of a special record date by mailing a copy of such notice to the registered owners of all Bonds outstanding at least ten (10) days before the special record date or in such other time and manner as the Trustee may deem appropriate.

This Bond is the only bond in this series for a total of _____ Dollars (\$_____) in principal amount, issued by the District pursuant to Chapter 82 of Title 30 and Subchapter 2 of Chapter 53 and Chapter 54 of Title 24, Vermont Statutes Annotated, and Section 21 of No. 41 of the Acts of 2015, and a General Resolution duly adopted by the Governing Board of the District on March 8, 2016, as amended on August 14, 2018, July 9, 2019, November 12, 2019, November 10, 2020, and November 9, 2021, and as supplemented and amended by one or more supplemental series resolutions including a supplemental resolution duly adopted by the Governing Board on November 14, 2023. Bonds may be issued under the Resolution in one or more series from time to time for the purpose of paying the costs of the District in acquiring and constructing its Project and for certain other limited purposes provided in the Resolution.

This Bond, and the others of this series, will be offered for sale only to “Qualified Institutional Buyers” (as defined in Rule 144A of the Securities Act of 1933, as amended) and “Accredited Investors”(as defined in the Securities Act of 1933, as amended), and may be

transferred in the future and held only by Qualified Institutional Buyers and Accredited Investors.

THIS BOND SHALL NOT CONSTITUTE A GENERAL OBLIGATION OF THE DISTRICT WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION, BUT SHALL BE A LIMITED OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM, AND SECURED SOLELY BY, THE PLEDGE AND LIEN ON THE NET REVENUES SPECIFICALLY PLEDGED THERETO PURSUANT TO THE RESOLUTION. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE STATE OF VERMONT OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL, PREMIUM (IF ANY) OR INTEREST ON THE BOND AND NEITHER THE STATE OF VERMONT NOR ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE DISTRICT, SHALL BE OBLIGATED TO PAY THE PRINCIPAL, PREMIUM (IF ANY) OR INTEREST THEREON.

This Bond is fully negotiable for all purposes of the Uniform Commercial Code section 1-101 et seq. of Title 9A of the Vermont Statutes Annotated, and each holder or owner of this Bond by accepting this Bond shall be conclusively deemed to have agreed that this Bond is fully negotiable for those purposes.

This bond is a “qualified tax-exempt obligation” for purposes and effect contemplated by Section 265(b)(3) of the Code (“Bank Qualified”).

Reference is made to the Resolution (as supplemented and amended) for, among other things, definitions of terms; the nature and extent of the security for the Bonds; the properties constituting the Project; the manner of enforcement of the pledge; the terms and conditions upon which additional Bonds may be issued; the conditions upon which the Resolution may be amended or supplemented with and without the consent of the holders of the Bonds; acceleration of principal in the event of default; remedies and limitations of remedies; and the terms upon which Bonds may no longer be secured by the Resolution if sufficient moneys or specified securities are deposited with the Trustee in trust for their payment. Copies of the Resolution (including any supplemental resolutions) may be inspected at the office of the District and at the corporate trust office of the Trustee.

The Bonds of this series are subject to mandatory redemption upon the occurrence of an Event of Taxability (as defined in the Resolution), and also subject to redemption prior to maturity, at the option of the District, on or after December 1, 2035, as a whole or in part at any time, as determined by the District and by lot within a maturity, at the redemption prices set forth below, together with interest up to but not including the date fixed for redemption:

Period During Which Redeemed (Both Dates Inclusive)	Redemption Prices
December 1, 2035-December 1, 2046	100%

The Bond of this series maturing on December 1, 2046, date inclusive, is subject to mandatory redemption out of amounts deposited in the Sinking Fund Account created in the Resolution.

In the event this Bond is called for redemption, notice shall be mailed not less than thirty (30) days prior to the redemption date, to the registered holder at his or her address as shown on the books of registry. If this Bond is of a denomination in excess of \$5,000, portions of the principal sum in the amount of \$5,000 or any multiple of \$5,000 may be redeemed. If less than all of the principal sum is to be redeemed, upon the surrender of this Bond to the Trustee there shall be issued to the registered owner at the corporate trust office of the Trustee, without charge, Bonds for the unredeemed balance of the principal sum. If this Bond (or any portion) is duly called for redemption and notice is duly given, and if on or before the redemption date there are on deposit with the Trustee sufficient funds to pay at the redemption price and the interest on the principal amount redeemed to the date of redemption, this Bond (or the portion to be redeemed) shall become due and payable upon the redemption date and interest shall cease to accrue from and after the redemption date on the principal amount to be redeemed.

The Bonds of this series are issuable as fully registered Bonds in the denomination of \$5,000 or any multiple of \$5,000 in excess thereof.

This Bond is transferable by the registered holder, in person or by his or her attorney duly authorized in writing, at the corporate trust office of the Trustee, subject to the limitations and upon payment of the charges, if any, provided in the Resolution and upon the surrender of this Bond to the Trustee for cancellation. Upon the transfer a new registered Bond or Bonds of the same aggregate principal amount will be issued to the transferee at the same office. The payee in whose name this Bond is issued is the registered holder. The District and the Trustee may treat the registered holder as the owner and shall not be affected by notice to the contrary.

It is hereby certified, recited and declared that all acts, conditions and things required to have happened, to exist and to have been performed precedent to and in the issuance of this Bond and the series of which it is one have happened, do exist and have been performed in regular and due time, form and manner; that this Bond and the series of which it is one does not exceed any constitutional or statutory limitation of indebtedness; and that provision has been made for the payment of the principal of and interest on this Bond and the series of which it is one as provided in the Resolution.

This Bond shall not be valid unless the Certificate of Authentication on the Bond is signed by the Trustee.

EAST CENTRAL VERMONT
TELECOMMUNICATIONS DISTRICT

By: _____
Chair, Governing Board

And By: _____
District Treasurer

(SEAL)

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the Resolution mentioned in the Bond.

U.S. BANK TRUST COMPANY,
NATIONAL ASSOCIATION, as Trustee

By: _____
Authorized Signature

(FORM OF ASSIGNMENT)

For value received _____ sells, assigns and transfers this Bond to
_____ and irrevocably appoints _____ attorney-in-fact to transfer it on
the books of registry at the corporate trust office of the Trustee as Registrar with full power of
substitution.

Dated: _____

NOTE: The signature to this assignment must correspond with the name as written on the
face of the Bond without alternation or enlargement or other change.

Appendix C

Form of Continuing Disclosure Agreement

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated November 28, 2023, (the “Disclosure Agreement”) is executed and delivered by the East Central Vermont Telecommunications District (the “District”) and Municipal Capital Markets Group, Inc. as dissemination agent (the “Dissemination Agent”), in connection with the issuance of the District’s \$7,530,000 Project Revenue Bonds Series 2023A (the “Bonds”). The Bonds are being issued pursuant to Subchapter 2, Chapter 53 and Chapter 54 of Title 24, Chapter 82 of Title 30, Vermont Statutes Annotated, and Sections 21 of Public Act No. 241 of the Laws of Vermont of the 2015 Adjourned Session of the Vermont General Assembly (collectively, the “Act”) and the District’s General Bond Resolution adopted on March 8, 2016, as amended on August 14, 2018, July 9, 2019, November 12, 2019, November 10, 2020, and November 9, 2021, (the “General Resolution”) and the District’s Series Resolution adopted on November 14, 2023, authorizing the issuance of the Bonds. The District and the Dissemination Agent covenant and agree as follows:

Section 1. Purpose; Beneficiaries. This Disclosure Agreement is entered into solely to assist the Participating Underwriter (defined below) in complying with subsection (b)(5) of the Rule (defined below). This Disclosure Agreement constitutes a written undertaking for the benefit of the beneficial owners (within the meaning of the Rule) of the Bonds (such beneficial owners being sometimes called herein “owners”).

Section 2. Definitions. The following words and terms used in this Disclosure Agreement shall have the following respective meanings:

(a) “Annual Report” shall mean any Annual Report provided by the District to the Dissemination Agent, and consistent with the requirements of Sections 3 and 4 of this Disclosure Agreement.

(b) “EMMA” means the MSRB’s Electronic Municipal Market Access (“EMMA”) system, or its successor as designated by the MSRB.

(c) “MSRB” means the Municipal Securities Rulemaking Board.

(d) “Participating Underwriter” shall mean the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

(e) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities and Exchange Act of 1934, as amended (17 CFR Part 240, §240.15c2-12), as in effect on the date of this Disclosure Agreement, including any official interpretation thereof.

(f) “SEC” means the United States Securities and Exchange Commission.

All capitalized words and terms used in this Disclosure Agreement and not otherwise defined herein shall have the meaning ascribed to such words and terms in the Limited Offering Memorandum dated November 17, 2023, pertaining to the Bonds (the “Official Statement”).

Section 3. Provision of Annual Reports. On or before August 1 of each year, commencing August 1, 2024, the District shall deliver to the Dissemination Agent its Annual Report. If said Annual Report does not contain the District’s audited financial statements for the fiscal year of the Annual Report, then the District shall, in any event, deliver to the Dissemination Agent said audited financial statements as soon as possible after they become available and, in any event, no later than December 31 of each year.

The Dissemination Agent shall forward to EMMA the District's Annual Report, with or without the District's audited financial statements, or notice of the District's failure to provide said Annual Report, not later than October 1 of each year. If the District elects not to provide the Dissemination Agent with its audited financial statements as part of its Annual Report by the date set forth above, the Dissemination Agent shall forward to EMMA the District's audited financial statements, or notice of the District's failure to provide said audited financial statements, not later than October 1 of each year. On or before such date, the District shall post its Annual Report on its website.

Upon its forwarding of the Annual Report and audited financial statements, the Dissemination Agent shall file a report with the District certifying that the Annual Report and audited financial statements have been forwarded to EMMA pursuant to this disclosure agreement, and stating the date each was mailed.

Section 4. Content of Annual Reports. The Annual Report shall contain financial information and operating data, in each case updated through the last day of such fiscal year unless otherwise noted, relating to the District, in each case substantially in the same level of detail as is found in the referenced Official Statement, including in any event an update of the information set forth in the Five Year Forecast on Pages 33-34 of the Official Statement.

Any or all of the financial information items and operating data referred to above may be included by reference to other documents, including official statements pertaining to debt issued by the District, which have been submitted to EMMA. If the document incorporated by reference is an "official statement" within the meaning of the Rule, it will also be available from the MSRB. The District's annual financial statements for each fiscal year shall consist of the balance sheet of the District and the related statements of revenue, expenses and changes in fund balances and statement of cash flows prepared in accordance with generally accepted accounting principles in effect from time to time. Such financial statements shall be audited by a firm of certified public accountants appointed by the District. The Dissemination Agent is agent of the District in the dissemination of the Annual Report and the other notices referenced herein and (i) has no duty or responsibility as to the legal correctness or accuracy of the form or content of said Annual Report or notices or any other information provided pursuant to this Disclosure Agreement and (ii) has no duty to determine if the Annual Report, notices or other information provided complies with the terms of this Disclosure Agreement.

All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

Section 5. Reporting of Significant Events. Whenever the District obtains knowledge of the occurrence of any of the following listed events with respect to the Bonds or any other obligations of the District, the District shall direct the Dissemination Agent in writing to file with EMMA notice of such occurrence and post such notice on the District's website in a timely manner, not in excess of ten business days after the occurrence of the event:

- (a) Actual or anticipated delinquency or default of payment of principal of or interest on the Bonds or any other debt obligation of the District;
- (b) Any actual or anticipated default or breach on the part of the District with respect to any term or provision of this Disclosure Agreement or like agreement to which the District is a party;
- (c) Unscheduled draws on debt service reserves which reflect financial difficulties for the District;

- (d) Unscheduled draws on any letter of credit, guarantee or similar credit enhancement which reflects financial difficulties for the District;
- (e) Substitution of any entity furnishing the District with credit or liquidity enhancement, or the failure of such entity to perform;
- (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;;
- (g) Material modifications of the rights of any person owning a legal or beneficial interest in the Bonds;
- (h) The actual or contemplated call, redemption, refunding or defeasance of the Bonds, or the sale, release or substitution of the improvements financed by the Bonds;
- (i) Any change in the credit rating of the District;
- (j) Tender offers with the respect to the Bonds;
- (k) Bankruptcy, insolvency, receivership or similar event of the District;
- (l) The merger, consolidation or acquisition of the District;
- (m) The sale or transfer of all or substantially all of the assets of the District, whether absolute or pursuant to a management or operating agreement, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
- (n) The sale or disposition of assets financed by the Bonds, or a change of use thereof constituting “deliberate action” as defined in the Code;
- (o) A change in the identity or name of the Bond trustee, or the appointment of a successor or additional trustee, if material;
- (p) The incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and
- (q) The default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

For the purposes of the event identified in subparagraph (k), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental

authority having supervision or jurisdiction over substantially all of the assets or business of the District. For purposes of the events identified in subparagraphs (p) and (q), the term “financial obligation” means (i) a debt obligation, (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii).

All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

Section 6. Enforceability of the Disclosure Agreement; Termination. To the extent permitted by law, the provisions of this Disclosure Agreement are enforceable against the District and the Dissemination Agent in accordance with the terms hereof by any owner of a Bond, including any beneficial owner acting as a third party beneficiary (upon proof of its status as a beneficial owner reasonably satisfactory to the Treasurer). To the extent permitted by law, any such owner shall have the right, for the equal benefit and protection of all owners of the Bonds, by mandamus or other suit or proceeding at law or in equity, to enforce its rights against the District and the Dissemination Agent and to compel the District and the Dissemination Agent and any of their officers, agents or employees to perform and carry out their duties under such provisions of this Disclosure Agreement; provided, however, that the sole remedy for a violation of this Disclosure Agreement shall be limited to an action to compel specific performance of the obligations of the District and the Dissemination Agent under this Disclosure Agreement and shall not include any rights to monetary damages. This Disclosure Agreement shall terminate if no Bonds remain outstanding (without regard to an economic defeasance) or if the provisions of the Rule concerning continuing disclosure are no longer in effect, whichever occurs first.

Section 7. Amendments. This Disclosure Agreement may be amended, changed or modified by the parties hereto, without the consent of, or notice to, any owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to make any necessary or desirable provisions with respect to the Dissemination Agent, (c) to add to the covenants of the District or the Dissemination Agent for the benefit of the owners of the Bonds, (d) to modify the contents, presentation and format of the annual financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertaking of the District in this Disclosure Agreement in a manner consistent with the provisions of state legislation responding to the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the owners of the Bonds, as determined either by a party unaffiliated with the District or the Dissemination Agent (such as the firm serving at the time as bond counsel to the District) or by the vote or consent of the Registered Owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment, which consent shall be obtained as provided in this Disclosure Agreement with respect to consents of Registered Owners. Any amendment, change or modification to this Disclosure Agreement shall be in writing.

If this Disclosure Agreement is amended with respect to the annual financial information to be submitted by the District hereunder, the annual financial information containing the amended financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of financial information being provided. If this Disclosure Agreement is amended with respect to the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and the financial statements or information prepared on the basis of the former accounting principles. Such comparison will include a

qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison will also be quantitative. The District shall direct the Dissemination Agent to give notice of any change in the accounting principles to EMMA as promptly as practicable after such change has been determined.

Section 8. Disclaimer. No information provided by or on behalf of the State of Vermont under this Disclosure Agreement shall obligate the District to file any information regarding matters other than those specifically described in Sections 3 and 4 hereof, nor shall any such filing constitute a representation by the District or raise any inference that no other material events have occurred with respect to the District or the Bonds or that all material information regarding the District or the Bonds has been disclosed. The District shall have no obligation under this Disclosure Agreement to update information provided pursuant to this Disclosure Agreement except as specifically stated herein.

Section 9. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties under this Disclosure Agreement as are specifically set forth in this Disclosure Agreement, and the District hereby agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the cost and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct in the performance of its duties hereunder. The obligations of the District under this Section 9 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 10. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11. Governing Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of Vermont and applicable law of the United States of America.

Section 12. Titles of Sections. The titles of sections in this Disclosure Agreement shall have no effect in construing this Disclosure Agreement.

Section 13. Actions to be Performed on Non-Business Days. Any action required by this Disclosure Agreement to be taken on a Saturday, Sunday or holiday within the State of Vermont may be taken on the next business day with the same force and effect as if taken on the day so required.

Section 14. Compensation. The Dissemination Agent shall be compensated by a minimum annual fee of \$2000 provided no more than ten hours of personnel time is required annually to carry out its duties described herein. If more than ten hours are required, the Dissemination Agent will be compensated at a rate of \$225 per hour. The minimum annual fee is due and payable upon closing of the Bonds and annually thereafter. The compensation set out here is only for dissemination of material relating to the Bonds.

Section 15. Electronic Signature. The parties acknowledge and agree that this Disclosure Agreement may be executed by electronic or digital signature, which shall be considered as an original signature for all purposes and shall have the same force and effect as an original signature.

IN WITNESS WHEREOF, THE EAST CENTRAL VERMONT TELECOMMUNICATIONS DISTRICT and MUNICIPAL CAPITAL MARKETS GROUP, INC., as Dissemination Agent, have executed this Disclosure Agreement, under seal, all as of the day and year first above written.

EAST CENTRAL VERMONT
TELECOMMUNICATIONS DISTRICT

By: _____
Chair, Governing Board

And by: _____
Treasurer

MUNICIPAL CAPITAL MARKETS GROUP, INC.,
as Dissemination Agent

By: _____
Authorized Officer

Appendix D

Proposed Form of Opinion of Bond Counsel



ELIJAH D. EMERSON
ADMITTED IN VT, NH, MA AND ME
eemerson@primmer.com
TEL: 603-444-4008
FAX: 603-444-6040

P.O. Box 1489 | Burlington, VT 05401

November 28, 2023

East Central Vermont Telecommunications District
415 Waterman Road
Royalton, VT 05068-5117

U. S. Bank Trust Company, National Association, as Trustee
185 Asylum Street – 27th Floor
Hartford, CT 06103-3452

Re: \$7,530,000 East Central Vermont Telecommunications District
Project Revenue Bonds, Series 2023A (the “Bonds”)

We have examined the law and the action taken at meetings of the Governing Board of the East Central Vermont Telecommunications District (the “District”) on March 8, 2016, August 14, 2018, July 9, 2019, November 12, 2019, November 10, 2020, November 9, 2021, and November 14, 2023, resolutions of the Governing Board adopted thereat, the original executed Bonds described above and issued in pursuance of the foregoing actions and proceedings, together with other records, proofs and certificates deemed necessary and sufficient for the purposes hereof, from all of which we are of the opinion that, as of the date hereof, the Bonds are lawful, valid and binding special obligations of the District, secured by the Resolutions (as hereinafter defined) and enforceable in accordance with their terms, and entitled to the benefit of the Act and the Resolutions, payable according to the terms and tenor thereof from and secured by a lien upon the net revenues derived and to be derived from the communications plant owned and operated by the District, that the rights and remedies of the District’s creditors, including holders of its bonds and notes, are subject to bankruptcy, insolvency, reorganization, moratorium, and other laws affecting the rights and remedies of creditors, to the extent constitutionally applicable, and that their enforcement may be subject to the exercise of judicial discretion in appropriate cases. We call to your attention that the General Assembly of the State of Vermont has not authorized Vermont municipalities to seek protection under Chapter 9 of the Federal Bankruptcy Act.

As to matters of fact relevant and material to our opinion, we have relied upon certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

The District is a lawfully constituted corporate instrumentality of the State of Vermont. The officers signing the Bonds are the duly elected, qualified and acting officers of the District

as indicated. The Bonds are in all respects in conformity with the laws and constitutions of the State of Vermont, and are not in excess of any debt limit.

The Bonds are authorized under and pursuant to Subchapter 2 of Chapter 53 and Chapter 54 of Title 24, Chapter 82 of Title 30, of the Vermont Statutes Annotated, and Section 21 of No. 41 of the Acts of 2015, and by a General Resolution of the Governing Board of the District adopted as of March 8, 2016, as amended on August 14, 2018, July 9, 2019, November 12, 2019, November 10, 2020, and November 9, 2021 (the “General Resolution”) and a Series 2023A Resolution adopted by the District on November 14, 2023 (the “Supplemental Resolution” and together with the General Resolution, the “Resolutions”).

The Bonds are being issued by means of a book-entry-only system, with bond certificates immobilized at The Depository Trust Company, New York, New York (“DTC”), and not available for distribution to the public, evidencing ownership of the Bonds in denominations of \$5,000 or integral multiples thereof, with transfers of beneficial ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants.

The Bonds are payable on December 1 in the years and principal amounts stated thereof, bear interest at the stated rates and are subject to redemption prior to maturity, all as provided in the Resolutions.

The Resolutions have been duly and lawfully adopted by the District and are in full force and effect, and are valid and binding upon the District and enforceable in accordance with their terms, and no other authorization for the Resolutions is required. The Resolutions create the valid pledge which the Resolutions purport to create, subject to the provisions of the Resolutions.

Without limiting the generality of the foregoing, we certify that we have made due and diligent inquiry to ascertain if any litigation is pending or threatened in any state or federal court of competent jurisdiction to restrain or enjoin in any way the issuance and delivery of the Bonds, or the expenditures financed by the proceeds of the Bonds, and we find none.

We have reviewed the accompanying Tax Certificate of the District relating to its reasonable expectations as of the date of issuance of the Bonds, that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be “arbitrage bonds” within the meaning of Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the applicable Regulations thereto (collectively, the “Code”), or “private activity bonds” within the meaning of Section 141 of the Code.

Based upon our examination of law and review of such Tax Certificate, it is our opinion that the facts, estimates and circumstances set forth therein are sufficient to satisfy the criteria which are necessary under Sections 103, 141 and 148 of the Code, to support the conclusion that the Bonds will not be “arbitrage bonds” or “private activity bonds” within the meaning of said Code Sections. No matters have come to our attention which, in our opinion, make unreasonable or incorrect the representations made in such Tax Certificate.

Interest on the Bonds will not be included in the gross income of the holders of the Bonds for federal income tax purposes pursuant to Section 103 of the Code, and is exempt from State of Vermont personal income taxes and corporate income taxes. Interest on the Bonds is not an item of tax preference for the purpose of calculating the alternative minimum tax imposed under the Code on individuals and interest on the Bonds is taken into account in determining “adjusted financial statement income” for purposes of computing the alternative minimum tax imposed on “applicable corporations” for the tax years beginning after December 31, 2022. This opinion is rendered subject to compliance by the District with various requirements of the Code which must be satisfied subsequent to the issuance of the Bonds in order that interest thereon is and continues to be excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be included in the gross income of holders of the Bonds retroactive to the date of issuance of the Bonds. The Bonds are “qualified tax-exempt obligation” for purposes and effect contemplated by Section 265(b)(3) of the Code. We express no opinion as to other federal tax consequences resulting from holding the Bonds.

We have examined the executed Bonds, and in our opinion the form of the Bonds and their execution are regular and proper.

PRIMMER PIPER EGGLESTON & CRAMER PC

By: _____
Elijah D. Emerson

Appendix E

Form of Operating Agreement and Assignment from ValleyNet to GWI Vermont

FINALOPERATING AGREEMENT

THIS OPERATING AGREEMENT ("Agreement"), entered into and executed as of the ^{22^d} day of February, 2016, by and between EAST CENTRAL VERMONT TELECOMMUNICATIONS DISTRICT, a municipal corporation and a political subdivision of the State of Vermont ("District"), and VALLEYNET, INC. ("ValleyNet") a non-profit corporation organized and existing under the laws of the State of Vermont.

IN CONSIDERATION OF ONE DOLLAR AND OTHER GOOD AND VALUABLE CONSIDERATION, payment, receipt and sufficiency of which is hereby mutually acknowledged, and in consideration of the several representations, undertakings and inducements set forth herein, District hereby engages ValleyNet to design, construct and operate one or more communications plants (the "Project") for the delivery of District's broadband communications services to commercial, residential, governmental and educational subscribers with the State of Vermont, all under the following terms and conditions:

- (1) The parties acknowledge that the benefits of this Agreement shall devolve upon District and its member municipalities, and shall be disposed of by the District pursuant to the enactments under which it is established. The parties further acknowledge that the District, acting through its Governing Board as the legislative body of a municipal corporation, is responsible for establishing and articulating policies to be acted upon and implemented by ValleyNet under this Agreement
- (2) The initial term of this Agreement shall be ten (10) years, commencing at midnight on the 1st day of January, 2016, and expiring at midnight on the 31st day of December, 2025, unless sooner terminated as provided herein. This Agreement shall automatically renew itself for additional and successive terms of ten (10) years each, unless notice of non-renewal shall be furnished by one party to the other, in writing, at least one hundred and eighty (180) days prior to the original or successive termination date.
- (3) Notwithstanding the provisions of Section (2), this Agreement may be terminated by the non-defaulting party in the event one or more of the following Events of Default occurs and shall remain uncorrected for a period of ninety (90) days from the date upon which notice of such Event of Default shall have been given in writing by the non-defaulting party to the other:
 - (a) The filing of a petition of bankruptcy by or against ValleyNet;
 - (b) The attachment or sequestration of all or substantially all of the assets of ValleyNet or of District;

- (c) The cancellation or revocation of any license, permit or approval granted by any cognizant governmental authority which materially impairs ValleyNet's ability to operate the Project contemplated under this Agreement;
 - (d) The insufficiency of the communications plant financing proceeds and all revenue of the District's broadband communications service to meet the obligations and current expenses of District;
 - (e) A determination by the District Governing Board that ValleyNet has engaged in gross negligence or malfeasance;
 - (f) The failure of ValleyNet to remain in good standing under the laws of the State of Vermont;
 - (g) The dissolution or liquidation of ValleyNet or District;
 - (h) A default of any provision of this Agreement.
- (4) Notwithstanding the provisions of Sections (2) and (3) of this Agreement, and provided no uncured Event of Default exists, either party may terminate this Agreement upon at least six (6) months advance written notice, and upon the delivery of mutual releases with respect to all matters hereunder, including the rights of third parties.
- (5) Notwithstanding the provisions of Sections (2), (3) and (4), termination of this Agreement shall not affect the rights of any person who is a party to any third-party contract relating to the construction, operation, management or financing of any material component of the Project, or who possesses a security interest in any property dedicated to the communications plant or District broadband communications services.
- (6) ValleyNet will, on behalf and for the benefit of District, implement fully the design, construction, operation and management of the Project and broadband communications services systems as may be approved from time to time by the Governing Board of the District, and any related operating and management agreements as agreed upon in writing by the parties that may be subsequently developed and deemed useful and necessary for the successful operation of such communications plants and the delivery of broadband communications services. At all times ValleyNet shall communicate at least monthly with the District Governing Board and/or the Executive Committee established thereunder as to the operational and financial condition of the Project.
- (7) ValleyNet shall use its commercially reasonable efforts to secure for the benefit and on behalf of the District, such governmental permits, exemptions, licenses, certificates and approvals as may be necessary to design, finance, construct, manage

and operate one or more systems for the delivery of broadband communications service.

- (8) District may engage and appoint a Clerk of the Works to oversee the construction and installation of all work related to each Project contemplated in this Agreement, and to act as a liaison between and among parties involved in communications plant construction.
- (9) District shall open and maintain such accounts, funds and reserves in its name, or with a trustee, as may be necessary or convenient to implement in this Agreement and the financing of any improvement made hereunder. In no event shall funds of the District be commingled with funds of ValleyNet or any other person.
- (10) ValleyNet and District shall comply with the General Operating Policies and Protocol ("Operating Protocol"), which is attached hereto as Exhibit A and has been designed to ensure clear and continuous communications among the parties and related third parties. This Operating Protocol may be modified from time to time by mutual written consent of District and ValleyNet.
- (11) Each third-party contract greater than \$50,000 in any one year shall be negotiated by ValleyNet and approved by District as provided in the Operating Protocol. ValleyNet shall engage and employ all personnel, suppliers, professionals and contractors (except a Clerk of the Works), and shall purchase or cause to be purchased in the name of District all equipment and materials necessary to implement the construction and operation of the Project.
- (12) ValleyNet shall establish and maintain accounting records in accordance with generally accepted accounting principles for all development, construction and operational matters related to those broadband, communications services systems and communications plants hereunder, which accounts shall detail the costs of implementing this Agreement. At District's expense, such records may be audited by a qualified accounting firm on an annual basis or as determined by the Governing Board, and shall be made available to District within ninety (90) days of completion.
- (13) Neither party may assign its interest hereunder without the advance written consent of the other party. Nevertheless, the District may grant a security interest in this Agreement to any entity in connection with the financing of any part of a communications plant constructed or operated hereunder.
- (14) Notice hereunder shall be deemed sufficient if in writing and deposited for delivery, first class postage prepaid, with the United States Postal Service, addressed as follows:
 - (a) to EAST CENTRAL VERMONT TELECOMMUNICATIONS DISTRICT
415 Waterman Road
South. Royalton, VT 05068

(b) to VALLEYNET, INC.
415 Waterman Road
South Royalton, VT 05068

- (15) This Agreement, including Exhibit A, which is an integral part hereof, embodies the complete understanding of the parties relating to the subject matter hereof, and may be modified and amended only by an instrument executed by both parties, with the concurrence of any person possessing a security interest in this Agreement, or in any communications plan constructed and operated hereunder.
- (16) If any part of this Agreement shall be found invalid or unenforceable, the balance thereof shall not be affected thereby.
- (17) This Agreement shall not be construed, implemented or interpreted so as to create a relationship of agency, employment, partnership, joint venture, guaranty or indemnification between the parties or with respect to any person claiming a benefit hereunder, or holding a security interest herein. District acknowledges and agrees that ValleyNet is acting solely pursuant to an independent contractual relationship with District, and not as a fiduciary to District, or any other person.
- (18) Each third-party contract entered into by ValleyNet hereunder for the benefit of District shall provide that all parties thereto shall at all times remain qualified to do business in the State of Vermont or otherwise render themselves amenable to service of process in Vermont and to the jurisdiction of Vermont courts, and, upon request of District or ValleyNet, furnish evidence of payment of all taxes imposed by any local, federal or State authority. Failure to comply with this requirement shall constitute grounds for unilateral termination of such contract.
- (19) Upon written request by District, ValleyNet shall transfer and set over to District all of its rights, title, claim and interest in the communications plants currently existing or subsequently constructed hereunder, together with all contract rights, warranties and benefits related thereto.
- (20) (a) District shall pay all costs of constructing, operating and managing the Project and broadband communications services as detailed by invoices submitted by ValleyNet pursuant to the General Operating Policies and Protocol.
- (b) ValleyNet shall receive upon invoice to District its actual and direct expenses incurred in furnishing the broadband communications services and support contemplated herein.
- (c) ValleyNet shall receive from District compensation in an amount equal to \$10.00 per service subscriber per year, to be paid semi-annually, to the extent sufficient funds remain after payment of debt service on District's obligations.

- (d) Under no circumstances shall any compensation paid to ValleyNet be computed on the basis of profit or revenue received, accrued or accruing under a District broadband communications service.
- (e) ValleyNet shall be solely responsible for hiring, compensating, supervising, disciplining and discharging its employees, and shall be responsible for the payment of all governmental taxes, charges and assessments relating to its employees. The District shall not dictate or establish workplace standards and practices, scheduling, staffing or employee licensing or qualification. No ValleyNet employee shall report to or be under the supervision of any District official at any time, nor shall any District employee evaluate the performance or conduct of any ValleyNet person engaged by ValleyNet.
- (f) ValleyNet shall procure and maintain, or cause to be procured and maintained, adequate workers compensation insurance on its employees and the employees of its subcontractors, as well as comprehensive general liability, motor vehicle and casualty coverage for itself and its subcontractors, and shall furnish District with certificates of such coverage for the next ensuing year or, in the case of subcontractors, for the duration of the subcontractor's engagement.
- (21) The parties acknowledge that the exclusive source of payment to ValleyNet or to any party to any third-party Project contract contemplated herein shall be the revenues and resources of District broadband communications services, which payments shall be made against invoices submitted and accepted by the District.
- (22) Except as provided herein, neither party shall be liable to the other party for any special, incidental, or consequential damages, including, but not limited to, lost profits.
- (23) Neither party shall be responsible for delays or failures in performance resulting from acts beyond the control of such party. Such acts shall include, but not be limited to, acts of God, strikes, lockouts, riots, acts of war, epidemics, governmental regulations or orders superimposed after the fact, fire, communication line failures, power failures, earthquakes or other disasters.
- (24) To the extent permitted by law, and only to the extent permitted by law, each party shall indemnify, defend and hold harmless the other, its officers, directors, agents, employees, successors and assigns from and against any and all loss, claims, assessments, fines, damages or expenses (including reasonable attorney fees and costs) arising out of or resulting from any claims by other third parties in connection with the indemnifying party's performance pursuant to this Agreement. The party seeking indemnification shall notify the other party of any such claim, action or proceeding, and the other party shall promptly undertake the defense thereof. The party seeking indemnification may, at its election and at its sole cost, participate in the defense thereof.

(25) The parties agree to use their best efforts to resolve any dispute, controversy or claim hereunder in the first instance through the offices of the Clerk of the Works, and thereafter through negotiation and mediation.

(26) This Agreement supersedes and replaces all prior agreements between the parties and their predecessors in interest related to the subject matter contained herein.

IN WITNESS WHEREOF, the parties have caused these presents to be executed by their respective duly authorized officers.

EAST CENTRAL VERMONT
TELECOMMUNICATIONS DISTRICT

By: 
Governing Board Chair

VALLEYNET, INC.

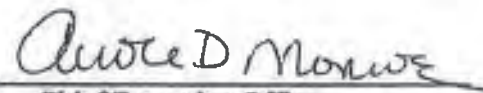
By: 
Chief Executive Officer

Exhibit A**General Operating Policies and Protocol**

The following are the General Operating Policies and Protocol which have been designed to ensure clear and continuous communications and accountability between ValleyNet, Inc. ("ValleyNet") and East Central Vermont Telecommunications District ("District") with respect to designing, financing, constructing, operating and managing the District's communications plants and broadband communications services, (herein the "Project's"), as further described in the Operating Agreement between the parties to which this Exhibit is attached.

The operating policies and protocols articulated herein are intended to conform to and supplement the enactments and agreements establishing the District and its delivery of communications services under the auspices of ValleyNet. Such policies will be established and modified from time to time by the District's Governing Board.

I. General Principles

1. The Project network (the "Network") comprising existing, and subsequently constructed elements, shall be universal, open-access and financially self-sustaining.
2. The Network shall offer, within operational limits, 'net-neutral' internet access (i.e. not linked to any specific browser, not filtered or blocked).
3. The Network shall operate on a "level playing field" with incumbent carriers.
4. The Network's operations shall be delegated, with mutual consultation, according to the terms of the Operating Agreement to ValleyNet, including, Rollout, Connection, Pricing, and Marketing. Day-to-day management responsibilities such as, but not limited to, Personnel Issues and Customer Service are directly delegated to ValleyNet.
 - Initial Rollout and Connection will be prioritized as follows:
 - a. Pre-registration percentages of member communities;
 - b. Technical factors;
 - c. Economics.
 - Subscriber responses, including complaints not adequately addressed by ValleyNet, shall be reviewed at least monthly by the District Governing Board or a committee(s) thereof.
5. The Network's connection fees shall be standardized for all new subscribers, with the following exceptions:
 - Sales Promotions;
 - Subscriber connections exceeding standard 400 foot aerial drops;
 - Such other circumstances as exigencies may require—but only with the consent of the District Governing Board

II. General Roles regarding the Project

A. District

- a. Formulate and articulate general governance policies
- b. Oversee District accounts
- c. Monitor ValleyNet performance
- d. Due diligence and approval regarding budgets, major contracts and agreements
- e. Interface with investors
- f. Sign contracts above a stipulated amount; delegates to ValleyNet the right to sign contracts below a stipulated amount as established herein
- g. Develop and implement plans of finance

B. ValleyNet

- a. Execute and complete the Network Project including designing, building all associated Network assets and operating them as an ongoing business
- b. Acknowledge and comply with District policies
- c. Manage Network operations
- d. Report regularly on Network Project progress and operations
- e. Promptly inform District of changes or difficulties
- f. Cooperate with a Clerk of the Works selected and engaged by the District

III. Operational Details

A. Management of Funds:

- a. All Network revenues shall be deposited upon receipt in District accounts as directed by the District Treasurer in conformance with all applicable covenants and agreements.
- b. All funds received by the District, from whatever source, shall be managed and disbursed by or under the direction of the District Treasurer, to whom ValleyNet shall submit invoices for approval by the District Treasurer, Governing Board or Executive Committee under internal protocols established by the Governing Board. Items specified and identified in an approved operating budget and/or capital budget, as provided below, shall be deemed to have been pre-approved.

B. District will appoint a Treasurer. The Treasurer shall report to the Governing Board of District and shall be responsible for the oversight of all bank accounts, including accounts and funds held by a trustee in connection with Network Project financing.

C. Project Governance

- a. District's Governing Board will meet at least quarterly or as needed and shall exercise the powers and duties enumerated above.
 - i. At all meetings of the District Governing Board, ValleyNet will report on the operational, financial and construction status of the Network Project.

- ii. The District Governing Board will appoint one or more of their number to be the liaison to ValleyNet, and another as alternate, in order to facilitate communications between scheduled District Governing Board meetings.
 - iii. District Governing Board may choose to appoint an independent Clerk of the Works, or upon mutual approval, rely on ValleyNet personnel, to verify contractors' project performance during Project construction periods.
- b. District Governing Board shall develop, approve and promulgate general policies relating to Network operations and convey these to ValleyNet. ValleyNet shall prepare and submit to the District a budget for Network and subscriber operations and support. Should ValleyNet determine that the implementation of any such policy would be financially or operationally detrimental to the project, it shall so inform the District Governing Board, with a brief explanation, and shall either propose an alternative to the policy, or request that the Governing Board reconsider the policy, or resolve the matter as provided in Section (25) of the Operating Agreement.
- c. Contracts
 - i. District will delegate to ValleyNet the authority to sign third-party contracts on behalf of District, from \$50,000 to \$100,000 with prior approval of the Chair and the District Treasurer.
 - ii. Contracts less than \$50,000 within any one year, consistent with approved budgets and business plans, may be signed by ValleyNet without prior approval, pursuant to formal District authorization.
 - iii. Contracts and a series of contracts with the same third-party in a six-month period in excess of \$100,000 must be approved in advance by the District Governing Board or its designated committee(s).
 - iv. ValleyNet will apprise the District Treasurer in anticipation of all contracts requiring prior approval.
- d. Business Plan and Budgets
 - i. ValleyNet shall submit for approval by the District Governing Board a business plan semi-annually or annually, projecting market conditions and changes, operating expenses, capital expenditures and revenues.
 - ii. The District Governing Board shall approve semi-annually or annually a detailed operating budget consistent with the business plan.
 - iii. ValleyNet shall make quarterly budget variance reports to District Governing Board.
- e. Personnel
 - i. All personnel involved in direct execution of the Project, with the exception of the District Treasurer and the Clerk of the Works, will be employees or contractors under the supervision of ValleyNet, which will

be solely responsible for all hiring, discipline, firing, payment, benefits and all other matters related to human resources.

f. Continuing Disclosure

- i. ValleyNet shall implement policies and procedures to enable District to meet its financing undertakings with respect to continuing disclosure and post-issuance compliance under federal law.**

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (“Assignment Agreement”) dated as of the 31 day of December, 2022 (the “Commencement Date”), by and between BIDDEFORD INTERNET CORPORATION, d/b/a GREAT WORKS INTERNET (“GWI”), a Maine corporation, whose principal place of business is at 43 Landry Street, Biddeford, ME 04005 and VALLEYNET, INC. (“ValleyNet”), a Vermont non-profit organization with a principal place of business at 415 Waterman Road, South Royalton, VT 05068. GWI and ValleyNet may also be referred to herein individually as a “Party” or collectively as the “Parties.”

WHEREAS, ValleyNet is a Vermont non-profit internet service provider that, among other things, designs and builds fiber optic networks, manages the operations of such networks, provides or manages internet and retail telephone services to end user customers over such networks, and provides certain financial and legal services with respect thereto (collectively, “Operational Services”).

WHEREAS, ValleyNet provides such Operational Services to East Central Vermont Telecommunications District (“ECFiber”) (a Vermont CUD) pursuant to an operating agreement with ECFiber dated February 22, 2016 (the ECFiber Contract”).

WHEREAS, in furtherance of its obligations under the ECFiber Contract, ValleyNet also entered into various third party contracts and agreements which remain in effect as of the date of this Assignment Agreement (the “Ancillary Agreements”).

WHEREAS, in conjunction with the assignment of the ECFiber Contract, and as a condition hereto, ValleyNet will assign to ECFiber and ECFiber shall accept and assume from ValleyNet the Ancillary Agreements and all of the ValleyNet’s rights and obligations thereunder.

WHEREAS, GWI is an internet service provider that designs, builds and operates broadband internet networks and provides retail and wholesale internet and VOIP telecommunications services in Maine, New Hampshire and Vermont.

WHEREAS, ValleyNet and GWI previously entered into a Support Services and Collaboration Agreement dated as of May 19, 2022, and various scopes of work referenced and incorporated therein pursuant to which GWI agreed to, among other things, assist ValleyNet to meet its contractual obligations under the ECFiber Contract (collectively the “Support Services Agreement”).

WHEREAS, in lieu of continuing with the Support Services Agreement, ValleyNet desires to terminate the Support Services Agreement and assign to GWI and GWI desires to assume from ValleyNet the ECFiber Contract and all of ValleyNet’s rights and obligation thereunder.

WHEREAS, ECFiber agrees that the assignment of the ECFiber Contract is in the best interest of ECFiber and executes this Assignment Agreement in order to express its written

consent to the assignment and to agree to other specified terms and conditions hereunder in order to facilitate the transactions contemplated hereby;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. **Assignment by ValleyNet.** As of January 1, 2023 (the "Assignment Date"), ValleyNet hereby indefeasibly assigns, transfers, and conveys to GWI the ECFiber Contract and all of ValleyNet's rights, titles, and interests in all of the obligations, benefits, rights and privileges relating or pertaining thereto.
2. **Assumption by GWI.** Effective upon the Assignment Date, GWI hereby accepts the assignment of all of ValleyNet's rights, titles, and interests in all of the obligations, benefits, rights and privileges relating or pertaining to the ECFiber Contract.
3. **Consideration.** In consideration of the assignment of the ECFiber Contract to GWI, GWI shall pay to ValleyNet the amount of thirty-seven thousand five hundred dollars (\$37,500), payable on or before June 30, 2023, which payment shall be an expense under the ECFiber Contract to which GWI will be reimbursed by ECFiber as a necessary expenditure to facilitate and ensure the smooth continuity of operations and transfer of obligations. By providing consent this Assignment Agreement, ECFiber acknowledges and agrees to make this reimbursement. Additionally, as further consideration for this assignment, GWI agrees to provide ValleyNet, at no charge, general accounting services for the year 2023 in order to facilitate the potential dissolution of ValleyNet. Such services to include financial statement preparation, tax return preparation, and transactions such as general ledger entry, including any necessary cash disbursements and bill paying
4. **Termination of Support Services Agreement.** Effective upon the Assignment Date, the Support Services Agreement shall terminate and shall be of no further force or effect except for (i) provisions provided therein that are expressly designated to survive termination and (ii) any unpaid fees and unreimbursed expenses payable to GWI thereunder which have accrued or been incurred prior to the Assignment Date. Any such continuing obligation of ValleyNet under the Support Services Agreement shall be in addition to any obligations of ValleyNet arising under this Assignment Agreement.
5. **Ancillary Agreements.** ValleyNet shall use commercially reasonable efforts to cause each Ancillary Agreement to be assigned to ECFiber.
6. **Representations and Warranties.** Each party represents and warrants to the other as follows: (i) as of the Assignment Date the party is duly organized, validly existing and in good standing under the laws of the state of its organization, and has full power and authority to conduct the business in which it is now engaged; (ii) the execution, delivery and performance of this Assignment Agreement and the consummation of the transactions and assignments contemplated by this Assignment Agreement have been duly and validly authorized by all requisite actions of the party; (iii) assuming the due execution and delivery of this Agreement by each party and signatory hereto, this Assignment Agreement constitutes the valid and binding

obligation of the party, enforceable against the party in accordance with its terms; (iv) the execution, delivery and performance of this Assignment Agreement by such party and the consummation by the party of the transactions contemplated hereby will not: (a) violate any legal requirement or any order of any court or governmental authority that is binding on the party; (b) result in a breach of or default under any third party contract or other agreement to which the party is a party, or (c) result in a breach of or default under any provision of the organizational documents of the party. In addition, ValleyNet and ECFiber each represent and warrant to GWI that as of the Assignment Date the ECFiber Contract remains in full force and effect and to the best of their respective actual knowledge and belief, without inquiry or investigation, there exists no default, no facts or circumstances exist that, with the passage of time or giving of notice, will or could constitute a default, event of default, or breach on the part of either entity or a claim by such party against GWI as assignee of the ECFiber Contracts hereunder and there are no legal actions or pending proceedings, or to such entity's knowledge, threatened against such entity before any court or governmental authority, an adverse determination of which would materially adversely affect such entity's ability to enter into or perform this Assignment Agreement.

7. Indemnification. ValleyNet shall indemnify and hold GWI harmless from any and all liability, claims, losses, costs, damages and expenses of whatever kind, including but not limited to reasonable attorneys' fees and court costs, arising out of claims under the ECFiber Contract or the Ancillary Agreements that arose out of ValleyNet's actions or inactions that occurred prior to the Assignment Date for such agreements, including without limitation, i) any breach of any representation or warranty made by ValleyNet in this Assignment Agreement, the ECFiber Contract or any Ancillary Agreement, (ii) any breach of any obligation or covenant to be performed by ValleyNet under the ECFiber Contract or any Ancillary Agreement, (iii) liabilities to any third party that are based upon any matter relating to the use, maintenance, operation or construction of the ECFiber Network; and (iv) any tax liabilities owing to any governmental authority and pending or threatened governmental action or audit relating to any accounting or auditing irregularities associated in any way with the ECFiber Contract, except for those claims that are due to or caused by the negligence or willful misconduct of GWI. GWI shall indemnify and hold ValleyNet harmless from any and all liability, claims, losses, costs, damages and expenses of whatever kind, including but not limited to reasonable attorneys' fees and court costs, arising out of claims under the ECFiber Contract that arise on or after the Assignment Date of such agreements, except for those claims that are due to or caused by the negligence or willful misconduct of ValleyNet or any breach of this Assignment Agreement by ValleyNet.

8. Consent and Execution by ECFiber. By execution of this Assignment Agreement, ECFiber hereby consents to the assignment of the ECFiber Contract to GWI, and the transactions contemplated hereby, and to be bound by paragraphs 3 and 6 to the extent such paragraphs are applicable to ECFiber including any actions to be taken by ECFiber in order to facilitate the transactions contemplated hereby. To the extent that ECFiber desires to obtain from GWI services not otherwise specified in the ECFiber Contract, and GWI desires to provide to ECFiber such services, GWI and ECFiber will cooperate to identify any such services within a Thirty (30) period following the Assignment Date, and within such time agree upon the terms and conditions for their provision.

9. Governing Law. The Agreement shall be governed by the laws of the State of Vermont without regard to the conflict of law provisions. Jurisdiction shall be in courts located in the State of Vermont.

10. Counterparts. This Assignment Agreement may be executed in identical counterparts each of which shall constitute an original and all of which shall constitute one and the same Assignment Agreements.

IN WITNESS WHEREOF, the parties have hereunder caused this instrument to be executed by their duly authorized representatives, all as of the date first written above.

ValleyNet, Inc.

By: Carole D Monroe

Name: Carole D Monroe

Title: Chair, ValleyNet Board

Date: _____

Biddeford Internet Corporation d/b/a
Great Works Internet

By: Kerem Durdag

Name: Kerem Durdag

Title: President and COO

Date: Dec 28, 2022

ECFiber Consent

Pursuant to paragraph 13 of the ECFiber Contract, ECFiber hereby consents to ValleyNet's assignment of the Operating Agreement dated February 22, 2016, between ECFiber and ValleyNet (which is referred to herein as the ECFiber Contract) from ValleyNet to GWI, all as further specified herein and executes this Assignment Agreement for the limited purposes set forth in paragraph 8.

East Central Vermont Telecommunications District

By: F. X. Flinn

Name: F. X. Flinn

Title: Chair, Governing Board

Date: 12/28/2022

Appendix F

Book-Entry Only System

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the Series 2023A Bonds. The Series 2023A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of each series of the Series 2023A Bonds in the aggregate principal amount of such maturity and series, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants” and together with the Direct Participants, the “Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2023A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2023A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2023A Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2023A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2023A Bonds, except in the event that use of the book-entry system for the Series 2023A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2023A Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2023A Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2023A Bonds. DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2023A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2023A Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2023A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Series 2023A Bonds may

wish to ascertain that the nominee holding the Series 2023A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2023A Bonds of a particular maturity within a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2023A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2023A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments and redemption premium, if any, with respect to the Series 2023A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the District or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2023A Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered. See "Certificated Bonds" below.

THE INFORMATION ABOVE IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE DISTRICT BELIEVES TO BE RELIABLE, BUT NEITHER THE DISTRICT NOR THE UNDERWRITER TAKES RESPONSIBILITY FOR THE ACCURACY THEREOF.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2023A BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDOWNERS OR REGISTERED OWNERS OF THE SERIES 2023A BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2023A BONDS.

No Responsibility of District, Underwriter or Trustee. NONE OF THE DISTRICT, THE UNDERWRITER OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2023A BONDS UNDER THE RESOLUTION; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2023A BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE WITH RESPECT TO THE SERIES 2023A BONDS; (V) ANY

CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2023A BONDS;
OR (VI) ANY OTHER MATTER.

Certificated Bonds. DTC may discontinue providing its services as securities depository with respect to the Series 2023A Bonds at any time by giving reasonable notice to the District and the Trustee. In addition, the District may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interest of the Beneficial Owners. If, for either reason the Book-Entry-Only system is discontinued, bond certificates will be delivered as described in the Resolution and the Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the Bondowner. Thereafter, Series 2023A Bonds may be exchanged for an equal aggregate principal amount of Series 2023A Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the corporate trust office of the Trustee. The transfer of any Series 2023A Bond may be registered on the books maintained by the Trustee for such purpose only upon assignment in form satisfactory to the Trustee. For every exchange or registration of transfer of Series 2023A Bonds, the District and the Trustee may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge may be made to the Bondowner for any exchange or registration of transfer of the Series 2023A Bonds. The Trustee will not be required to transfer or exchange any Series 2023A Bond during the fifteen (15) days next preceding an interest payment date for the Series 2023A Bonds, nor during the forty-five (45) days next preceding the date fixed for the redemption or repurchase of the Series 2023A Bonds (or a portion thereof).

East Central Vermont Telecommunications District (ECFiber)

Governing Board Meeting Minutes

Meeting Date: April 8, 2025

EXHIBIT #3
to Deft's Mtn to Dismiss

1. Call to Order

F. X. Flinn called the meeting to order at 7:01 PM.

2. Attendance and Introduction of Guests

Jeff Brand called the roll and introduced guests; a quorum was present. See the full attendance record below.

Jeff Brand introduced guests: Ryan Long, Adam Gaston, Shanna O'Berry, Evan Foxx, Alex Rozek, Tom Cecere (GWI VT), Dan Childs (Treasurer), and Richard Kay.

3. Changes to the Agenda

The Executive Committee report was moved up in the agenda following the approval of minutes. No objections or additional changes, the agenda was accepted as modified.

4. Public Comments

None

5. Approval of Minutes from March 11, 2025

The minutes from March 11, 2025 were deemed adopted by unanimous consent.

6. Executive Committee Report

F. X. Flinn Reported the Executive Committee discussed negotiations with GWI regarding an extension, renewal or rewrite of the existing operating agreement – the Executive Committee recommended that the Governing Board move forward with a plan to make Vermont ISP operating company the operator next year at the expiration of the agreement with GWI.

Irv Thomae moved to find executive session was warranted for the discussion of contractual matters and receipt of advice of counsel; seconded by Chris Noble. *Motion passed without objection.*

Ian Sears moved to enter executive session which included members of the Governing Board, ECFiber counsel Ryan Long, and Treasurer Dan Childs; seconded by Liane Allen. *Motion passed without objection.*

Executive session entered at 7:14pm and exited at 8:04pm.

Chris Noble provided background and stated the first motion was going to be to affirm the executive committee's recognition that a second good faith effort to reach agreement with GWI had failed and to affirm the District's notice to GWI on February 19th, 2025 that the District intends to return to the operating model which served the mission of providing broadband to all homes and businesses on the grid in the member towns and the special purpose regional municipality for many years. This return to the ValleyNet model will be completed no later than one January 2026. The District is no longer interested in negotiating any extension of its existing relationship with GWI, which will expire at the end of this year.

Chris Noble moved to remove from further consideration, an extension or renewal of our operating contract with GWI; seconded by Irv Thomae. *Motion carried.*

Chris Noble reported the reason behind the second motion would be to approve the execution of the memorandum of understanding between the District and VISPO, substantially as presented, which tasks VISPO with preparing to become the design, build, and operating partner of the district, and negotiating the transition with GWI, subject to the approval of the final language by the Executive Committee after legal review.

Chris Noble moved to accept and direct the implementation of the proposed MOU with the VISPO entity to act as our future operator and negotiate the transition with GWI; seconded by Irv Thomae. Roll call vote to affirm pursuit VISPO as Operator. *Motion carried, unanimously.*

Town	Vote	Town	Vote	Town	Vote	Town	Vote
Barnard	Y	Granville	Y	Reading	-	Tunbridge	Y
Bethel	Y	Hancock	-	Rochester	Y	Vershire	-
Bradford	Y	Hartford	Y	Royalton	Y	Washington	Y
Braintree	-	Newbury	Y	Sharon	Y	W. Fairlee	-
Brookfield	Y	Norwich	Y	Stockbridge	-	W. Windsor	Y
Corinth	Y	Pittsfield	-	Strafford	Y	Windsor	Y
Chelsea	-	Pomfret	Y	Thetford	-	Woodstock	Y

Fairlee	Y	Randolph	Y	Topsham	Y	Yay	22
						Nay	0

7. Operator's Report

Tom Cecere delivered the report to all Board members and highlighted the following updates:

a. Operations

- March performance was average, impacted by weather; 60+ aerial drops repaired
- Ice storm caused over 80 drops, all fixed, with significant efforts in Pomfret
- Pomfret required rebuilding, with temporary fixes on trees
- 14 Pomfret customers to receive half-month bill credit due to outages
- Trouble tickets higher than usual due to the weather
- Finance team fully staffed with Glenn Baker onboarding quickly

b. Marketing

- Three campaigns active: Free installation, My Bundle upsell, and Starter Bundle
- Newbury campaign utilized mailers and door hangers
- Recruitment ongoing for stream team coordinator role
- Community events planned for spring to boost engagement
- New website with AI chat nearing phase one launch
- AI chat tested to ensure human access

c. Construction

- Newbury hub lease signed
- Minor redesign needed for Newbury hub
- Strand work completed in Topsham, ongoing in Washington
- Weather delayed Newbury construction, with repair teams focused on storm damage
- Teams under pressure to complete FSAs for state reimbursement

Tom Cecere invited members that are interested in more details to join the Operations, Marketing, or Construction Committees to drill down into more facts and figures.

8. Treasurer's Report

Treasurer Dan Childs presented the financial report, highlighting a \$454.35 credit from the Vermont unclaimed property recovery. Revenue reached \$1.078 million, with standard expenses noted.

Dan answered questions from the Board around: loan entries, fund allocations/returned to District, RDOF and LymeFiber credits.

9. Committee Reports

F. X. Flinn opened the floor for Committee reports and updates.

Finance and Audit Committee

Chris Noble reported the audit was on track despite early issues, with GWI and auditors resolving outstanding items. Completion is due by May.

Operations and Marketing Committee

Liane Allen reported three active campaigns: Free installation, MyBundle upsell, and the Starter Bundle. The Newbury campaign used mailers and door hangers, and there is a stream team coordinator role position open. Community events will start. The new website is launching, which will include an AI helper chat.

10. Chair Report

F. X. Flinn announced progress with the FCC and USAC to finalize the New Hampshire RDOF build out, eliminating the need for a costly letter of credit, which was previously \$15,000 annually with US Bank. They also opted against spending \$4,000-\$5,000 on legal fees for a waiver, as the \$20,000 monthly cost is manageable short-term.

Standard & Poor's requested a rating review, targeting April 30 which aligns with the audit. A meeting is set for April 10, and they're working to meet S&P's needs while clarifying their own timeline.

In Vermont, two bills—one on customer rights and a \$15/month internet plan—stalled. The \$15 plan is tough with \$45 per-customer costs. VCUDA seeks a stakeholder group to explore internet subsidies, and a proposed open meeting law amendment could ease in-person meeting requirements for CUDs, reflecting widespread electronic meeting use.

F. X. Flinn expressed gratitude for the grassroots efforts.

11. Adjournment

David Karon moved to adjourn; seconded by Clare Holland. *The meeting adjourned without objection at 8:46pm*

**East Central Vermont Telecommunications District (ECFiber)
Governing Board
Attendance – April 8, 2025**

Town	Delegate	P	V	Alternate	P	V	Alternate	P	V
Barnard	Dan Leavitt	X	X	Richard Lancaster	X		Patrick Kell	X	
Bethel	Matthew Washburn	X	X	Ian Stewart					
Bradford	Steven Williams	X	X	Ryan Lockwood			Randy Tanenhaus	X	
Braintree	Joshua Ferris								
Brookfield	Dan O'Brien	X		Bryce Batchman	X	X			
Corinth	Ed Childs			Dick Kelley	X		Maggie Zerhelt		
Chelsea	Jonathan Maier			Robert Brannon			Arthur Edershein		
Fairlee	Peter Berger	X	X	Denis Lambert					
Granville	Richard Poole	X	X	Bruce Hyde	X				
Hancock	Scott Gillette			Dan Perera					
Hartford	F.X. Flinn	X	X	Jeff Brand	X		Bob Merrill		
Newbury	Liane Allen	X		Chip Conquest	X	X			
Norwich	Irv Thomae	X	X	Bob Gere	X				
Pittsfield	Herbert Kuendig								
Pomfret	Alan Graham	X	X	Kristen Esty - resigned			Betsy Rhodes	X	
Randolph	Jerry Ward	X	X	CJ Stumpf	X		Ian Sears	X	
Reading	John Malcolm			Gerry Marletta					
Rochester	John White	X	X						
Royalton	Chris Noble	X	X	Ken Alton	X				
Sharon	David Karon	X		Clare Holland	X	X			

Stockbridge	Joshua Trudeau			Carl Groppe					
Strafford	Stephen Willbanks			David Webb	X	X	Andy Behrens		
Thetford	Jim Masland			Tom Monego					
Topsham	Rob Rinaldi	X	X	Peter Keene			Prentis Pratt		
Tunbridge	Henry Swayze			Dick Dybvig	X	X			
Vershire	Nate Thames								
Washington	Sandy Edmonds	X		Volney Gordon			Erika Butler	X	X
W. Fairlee	Stephen Atwood			Alan Moats					
W. Windsor	Ken Parrot	X	X	Alessandro Iuppa	X				
Windsor	Michael Rice	X	X	Colin Moon			Christopher Goulet		
Woodstock	David Brown			Chris Miller	X	X			

Delegates P/V	18	14	Member Towns	31
Alternates P/V	19	7	Towns Represented	22
Votes total		21	Quorum	Yes
Votes to pass		12		

Memorandum of Understanding (MOU)

The MOU is between the Vermont ISP Operating Company ("VISPO") and the East Central Vermont Communications District ("District"), the Parties, doing business as ECFiber.

The District consists of 31 member towns and owns the business which operates under the trade name ECFiber. The District's mission is to build and operate a fiber-to-the premises network bringing world-class broadband to every on-grid home, business and civic institution in our member towns and to do so with local services and local staff. When completed, the ECFiber network will be available to over 32,000 locations on more than 2,000 miles of network.

VISPO is a public benefit corporation organized under the laws of Vermont. It is organized for the purpose of providing an essential governmental function including but not limited to the provision of internet infrastructure and services and all activities necessary and incidental thereto. Said services will be made available to the District and to States, political subdivisions of States, or entities that exclude their income, or that are qualified to exclude their income, by reason of Section 115 of the Internal Revenue Code of 1986, as amended.

The MOU establishes the respective terms to be used to establish VISPO as the design, build, and operating partner of the District. The terms are not intended to be exhaustive and may be changed, deleted, and added to upon mutual written agreement by the parties. It is expected that the MOU terms will lead to a binding operating agreement between the Parties for the delivery of ISP services to the District.

VISPO will initiate the actions necessary to establish VISPO as the potential supplier of essential internet infrastructure and services to the District and all activities necessary and incidental thereto. This includes, but is not limited to, the development and execution of a transition plan that transfers services provided by Biddeford Internet Corporation d/b/a Great Works Internet (GWI) to VISPO. The transition plan is subject to approval in advance by the District.

The District shall reimburse VISPO's costs on the basis of budgets approved by the District's Executive Committee.

The undersigned Parties agree to be bound by this agreement.



10 April 2025

Alessandro Iuppa, Chair, Date
Vermont ISP Operating Company



10 April 2025

F. X. Flinn, Chair, Date
East-Central Vermont Telecommunication District